रजिस्ट्री सं० डी 221 REGISTERED No. D. 221

भारत का राजपत्र
The Gazette of India

असाधारण
EXTRAORDINARY
भाग II खण्ड 2
PART II—Section 2
प्राधिकार से प्रकाशित
PUBLISHED BY AUTHORITY

सं० 7] नई दिल्ली, शनिवार, फरवरी 27, 1965/फाल्गुन 8, 1886
No. 7] NEW DELHI, SATURDAY, FEBRUARY 27, 1965/PHALGUNA 8, 1886

इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके
Separate paging is given to this Part in order that it may be filed as a separate compilation

LOK SABHA

The following Bill was introduced in Lok Sabha on the 27th February, 1965:—

BILL No. 10 OF 1965*

A Bill to give effect to the financial proposals of the Central Government for the financial year 1965-66.

BE it enacted by Parliament in the Sixteenth Year of the Republic of India as follows:—

Short title and commencement.

1. (*1*) This Act may be called the Finance Act, 1965.

(2) Save as otherwise provided in this Act, sections 3 to 67 and 69 to 74 shall be deemed to have come into force on the 1st day of April, 1965, and section 68 shall be deemed to have come into force on the 1st day of March, 1965.

Income-tax.

2. (*1*) Subject to the provisions of sub-sections (2), (3), (4) and (5), for the assessment year commencing on the 1st day of April, 1965, income-tax shall be charged at the rates specified in Part I of

*The President has, in pursuance of clauses (1) and (3) of article 117 and clause (1) of article 274 of the Constitution of India, recommended to the Lok Sabha, the introduction and consideration of the Bill.

the First Schedule and, in the cases to which Paragraphs A, B, C and D of that Part apply, shall be increased by a surcharge for purposes of the Union calculated in either case in the manner provided therein.

(2) In making any assessment for the assessment year commencing on the 1st day of April, 1965, where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries", the income-tax payable by the assessee on that part of his total income which consists of such inclusion shall be an amount bearing to the total amount of income-tax and super-tax payable according to the rates applicable under the operation of the Finance Act, 1964, on his total income the same proportion as the amount of such inclusion bears to his total income. 5 of 1964.

(3) In making any assessment for the assessment year commencing on the 1st day of April, 1965, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated— 31 of 1956.

(*i*) on the amount of profits and gains from life insurance business so included, at the rate applicable to the Life Insurance Corporation of India in accordance with Paragraph E of Part I of the First Schedule; and

(*ii*) on the remaining part of its total income, at the rate applicable to the company on its total income.

(4) In cases to which Chapter XII of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) applies, the tax chargeable shall be determined as provided in that Chapter, and with reference to the rates imposed by sub-section (*1*) or the rates as specified in that Chapter, as the case may be. 43 of 1961.

(5) (*a*) In respect of any assessment for the assessment year commencing on the 1st day of April, 1965—

(*i*) an assessee being an Indian company or any other company which has made the prescribed arrangements for the declaration and payment of dividends within India or an assessee (other than a company) whose total income includes any profits and gains derived from the export of any goods or merchandise out of India, shall be entitled to a deduction, from the amount of income-tax with which he is chargeable, of an amount equal to the income-tax calculated at one-tenth of the average rate of income-tax on the amount of such profits and gains included in the total income;

(*ii*) where an assessee of the type referred to in sub-clause (*i*) engaged in the manufacture of any articles in an industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, has during the previous year exported such articles out of India, he shall be entitled, in addition to the deduction of income-tax referred to in sub-clause (*i*), to a further deduction, from the amount of income-tax with which he is chargeable for the assessment year, of an amount equal to the income-tax calculated at the average rate of income-tax on an 65 of 1951.

amount equal to two per cent. of the sale proceeds receivable by him in respect of such export;

(*iii*) where an assessee of the type referred to in sub-clause (*i*) engaged in the manufacture of any articles in an industry specified in the said First Schedule has, during the previous year, sold such articles to any other person in India who himself has exported them out of India and evidence is produced before the Income-tax Officer of such articles having been so exported, the assessee shall be entitled to a deduction, from the amount of income-tax with which he is chargeable for the assessment year, of an amount equal to the income-tax calculated at the average rate of income-tax on a sum equal to two per cent. of the sale proceeds receivable by him in respect of such articles from the exporter.

(*b*) The total of the deductions under this sub-section shall in no case exceed the amount of income-tax otherwise payable by the assessee.

(*c*) Nothing contained in sub-clause (*ii*) and sub-clause (*iii*) of clause (*a*) shall apply,—

(*i*) in relation to—

(*1*) fuels,

(*2*) fertilisers,

(*3*) photographic raw film and paper,

(*4*) textiles (including those dyed, printed or otherwise processed) made wholly or in part of jute, including jute twine and rope,

(*5*) newsprint,

(*6*) pulp—wood pulp, mechanical, chemical, including dissolving pulp,

(*7*) sugar,

(*8*) vegetable oils and vanaspathi,

(*9*) cement and gypsum products,

(*10*) arms and ammunition, and

(*11*) cigarettes,

respectively specified in items 2, 18, 20, 23(2), 24(4), 24(5), 25, 28, 35, 37 and 38 of the First Schedule to the Industries (Development and Regulation) Act, 1951; or

65 of 1951.

(*ii*) in relation to textiles specified in items 23(1), 23(3), 23(4) and 23(5) of that Schedule where such textiles have been exported before the 1st day of March, 1964.

(*d*) The amount of any profits and gains derived from the export of any goods or merchandise out of India in respect of which deduction of income-tax is admissible under sub-clause (*i*) of clause (*a*) shall be computed in accordance with the rules made by the Central Board of Direct Taxes in this behalf.

(*6*) In cases in which tax has to be deducted under sections 193 to 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(7) For the purposes of this section, and of the rates of income-tax imposed thereby, and of section 3—

(*i*) the expressions "assessment year", "average rate of income-tax", "non-resident", "partner", and "total income" have, unless the context otherwise requires, the meanings respectively assigned to them under clauses (*9*), (*10*), (*30*), (*23*) and (*45*) of section 2 of the Income-tax Act;

(*ii*) the expression "earned income" means any income of an assessee who is an individual, Hindu undivided family, unregistered firm or other association of persons or body of individuals, whether incorporated or not, not being a company, a local authority, a registered firm or a firm assessed under clause (*b*) of section 183 of the said Act—

(*a*) which is chargeable under the head "Salaries"; or

(*b*) which is chargeable under the head "Profits and gains of business or profession" where the business or profession is carried on by the assessee or, in the case of a firm, where the assessee is a partner actively engaged in the conduct of the business or profession; or

(*c*) which is chargeable under the head "Income from other sources" if it is immediately derived from personal exertion or represents a pension or superannuation or other allowance given to the assessee in respect of the past services of any deceased person, or which is chargeable under that head under clause (*ia*) of sub-section (*2*) of section 56 of the Income-tax Act; and

includes any such income which, though it is the income of another person, is included in the assessee's income under the provisions of the Income-tax Act, but does not include any such income on which income-tax is not payable under clause (*iii*) or clause (*v*) of section 86 of that Act or which is exempted from tax under a notification issued under section 60 of the Indian Income-tax Act, 1922, as continued in force by clause (*l*) of sub-section (*2*) of section 297 of the Income-tax Act; 11 of 1922

(*iii*) the expression "unearned income" means income which is not "earned income".

Annuity deposit.

3. (*1*) Save as otherwise provided in Chapter XXIIA of the Income-tax Act, annuity deposit for the assessment year commencing on the 1st day of April, 1965 shall be made by every person to whom the provisions of that Chapter apply at the rates specified in the Second Schedule.

(2) For the purposes of this section and the Second Schedule, the expressions "adjusted total income", "annuity deposit" and "depositor" have the meanings respectively assigned to them under clauses (*1*), (5) and (*6*) of section 280B of the Income-tax Act.

Amendment of section 2.

4. In section 2 of the Income-tax Act,—

(*i*) in clause (*7*), for the words "income-tax or super-tax", the words "any tax" shall be substituted;

(*ii*) clause (*11*) shall be omitted;

(*iii*) in clause (*18*),—

(*i*) in sub-clause (*b*) (*i*), for the words and brackets "held by, the Government or a corporation established by a Central, State or Provincial Act or the public (not being a director, or a company to which this clause does not apply)", the following shall be substituted, namely:—

"held by—

(*a*) the Government, or

(*b*) a corporation established by a Central, State or Provincial Act, or

(*c*) any company to which this clause applies or any subsidiary company of such company where such subsidiary company fulfils the conditions laid down in clause (*b*) of section 108 (hereinafter in this clause referred to as the subsidiary company), or

(*d*) the public (not being a director, or a company to which this clause does not apply)";

(*ii*) in clause (*i*) of *Explanation* 1, after the word "applies", the words "or the subsidiary company of such company" shall be inserted;

(*iv*) in clause (*22*), after sub-clause (*i*), the following sub-clause shall be inserted, namely :—

"(*ia*) a distribution made in accordance with sub-clause (*c*) or sub-clause (*d*) in so far as such distribution is attributable to the capitalised profits of the company representing bonus shares allotted to its equity shareholders after the 31st day of March, 1964;";

(*v*) in clause (*30*), the figures "113" shall be omitted;

(*vi*) for clause (*43*), the following clauses shall be substituted, namely :—

'(*43*) "tax" in relation to the assessment year commencing on the 1st day of April, 1965, and any subsequent

assessment year means income-tax chargeable under the provisions of this Act, and in relation to any other assessment year income-tax and super-tax chargeable under the provisions of this Act prior to the aforesaid date;

(*43A*) "tax credit certificate" means a tax credit certificate granted to any person in accordance with the provisions of Chapter XXIIB and any scheme made thereunder;';

(*vii*) clause (*46*) shall be omitted.

Amendment of section 8.

5. In section 8 of the Income-tax Act,—

(*i*) for the words "For the purposes of inclusion in the total income of an assessee, any dividend", the words, brackets and letter "For the purposes of inclusion in the total income of an assessee,—

(*a*) any dividend" shall be substituted;

(*ii*) the following clause shall be inserted at the end, namely:—

"(*b*) any interim dividend paid by a company shall be deemed to be the income of the previous year in which the amount of such dividend is unconditionally made available by the company to the member who is entitled to it.".

Amendment of section 10.

6. In section 10 of the Income-tax Act,—

(*i*) after clause (*4*), the following clause shall be inserted, namely:—

"(*4A*) in the case of a non-resident, any income from interest on moneys standing to his credit in a non-resident account in any bank in India in accordance with the Foreign Exchange Regulation Act, 1947, and any rules made thereunder;"; 7 of 1947.

(*ii*) in sub-clause (*vii*) (*a*) of clause (*6*),—

(*a*) after the words "such person continues", the words, figure and letters "with the approval of the Central Government obtained before the 1st day of October of the relevant assessment year" shall be inserted;

(*b*) for the words "twenty-four months", the words "sixty months" shall be substituted;

(*iii*) for clause (*13*), the following clause shall be substituted, namely:—

"(*13*) any payment from an approved superannuation fund made—

(*i*) on the death of a beneficiary; or

(*ii*) to an employee in lieu of or in commutation of an annuity on his retirement at or after a specified age or on his becoming incapacitated prior to such retirement; or

(*iii*) by way of refund of contributions on the death of a beneficiary; or

(*iv*) by way of refund of contributions to an employee on his leaving the service in connection with which the fund is established otherwise than by retirement at or after a specified age or on his becoming incapacitated prior to such retirement, to the extent to which such payment does not exceed the contributions made prior to the commencement of this Act and any interest thereon;";

(*iv*) after clause (*27*), the following clause shall be inserted, namely:—

"(*28*) in the case of any person granted a tax credit certificate, any amount adjusted or paid to him in respect of such certificate under the provisions of Chapter XXIIB and any scheme made thereunder.".

Amendment of section 18.

7. In section 18 of the Income-tax Act, in clause (*i*) of sub-section (*1*), after the word "Government", the words, figures and letters "not being interest payable under section 280D in respect of any annuity deposit made under Chapter XXIIA" shall be inserted.

Amendment of section 33.

8. In section 33 of the Income-tax Act,—

(*i*) in sub-section (*1*), for clause (*iii*), the following clause shall be substituted, namely:—

"(*iii*) in the case of machinery or plant installed after the 31st day of March, 1961—

(*a*) where the machinery or plant is installed after the 31st day of March, 1963 and before the 1st day of April, 1966 for the purposes of business of mining coal, thirty-five per cent. of the actual cost of the machinery or plant to the assessee,

(*b*) where the machinery or plant is installed before the 1st day of April, 1965 for the purposes of any other business, twenty per cent.,

(c) where the machinery or plant is installed after the 31st day of March, 1965—

(A) for the purposes of business of construction, manufacture or production of any one or more of the articles or things specified in the list in the Fifth Schedule, twenty-five per cent. of the actual cost of the machinery or plant to the assessee, and

(B) for the purposes of any other business,—

(a) twenty per cent. of the actual cost of the machinery or plant to the assessee, where it is installed before the 1st day of April, 1967; and

(b) fifteen per cent. of such cost, in any other case,";

(ii) in sub-section (2), for the words, brackets, figures and letter "any allowance under sub-section (1) or sub-section (1A)", wherever they occur, the words, brackets, figures and letters "any allowance under sub-section (1) or sub-section (1A) of this section or sub-section (1) of section 33A" shall be substituted;

(iii) after sub-section (5), the following sub-section shall be inserted, namely:—

"(6) Notwithstanding anything contained in the foregoing provisions of this section, no deduction by way of development rebate shall be allowed in respect of any machinery or plant installed after the 31st day of March, 1965 in any office premises or any residential accommodation, including any accommodation in the nature of a guest-house.".

Insertion of new section 33A. Development allowance.

9. After section 33 of the Income-tax Act, the following section shall be inserted, namely:—

'33A. (1) In respect of planting of tea bushes on any land in India owned by an assessee who carries on business of growing and manufacturing tea in India, a sum by way of development allowance equivalent to—

(i) where tea bushes have been planted on any land not planted at any time with tea bushes or on any land which had been previously abandoned, forty per cent. of the actual cost of planting; and

(*ii*) where tea bushes are planted in replacement of tea bushes that have died or have become permanently useless on any land already planted, twenty per cent. of the actual cost of planting,

shall, subject to the provisions of this section, be allowed as a deduction in respect of the third succeeding previous year next following the previous year in which the land is prepared for planting or replanting, as the case may be:

Provided that no deduction under clause (*i*) shall be allowed unless the planting has commenced after the 31st day of March, 1965, and no deduction shall be allowed under clause (*ii*) unless the planting has commenced after the 31st day of March, 1965, and been completed before the 1st day of April, 1970.

(*2*) Where the total income of the assessee assessable for the assessment year relevant to the third succeeding previous year next following the previous year in which the land has been prepared [the total income for this purpose being computed after making the allowance under sub-section (*1*) or sub-section (*1A*) or clause (*ii*) of sub-section (*2*) of section 33 but without making any allowance under sub-section (*1*) of this section] is *nil* or is less than the full amount of the development allowance calculated at the rates specified in sub-section (*1*)—

(*i*) the sum to be allowed by way of development allowance for that assessment year under sub-section (*1*) shall be only such amount as is sufficient to reduce the said total income to *nil;* and

(*ii*) the amount of the development allowance, to the extent to which it has not been allowed as aforesaid, shall be carried forward to the following assessment year, and the development allowance to be allowed for the following assessment year shall be such amount as is sufficient to reduce the total income of the assessee assessable for that assessment year, computed in the manner aforesaid, to *nil,* and the balance of the development allowance, if any, still outstanding shall be carried forward to the following assessment year and so on, so however, that no portion of the development allowance shall be carried forward for more than eight assessment years immediately succeeding the assessment year in which the deduction was first allowable.

Explanation.—Where for any assessment year development allowance is to be allowed in accordance with the provisions of sub-section (*2*) in respect of more than one

previous year, and the total income of the assessee assessable for that assessment year [the total income for this purpose being computed after making the allowance under sub-section (*1*) or sub-section (*1A*) or clause (*ii*) of sub-section (*2*) of section 33 but without making any allowance under sub-section (*1*) of this section] is less than the amount of the development allowance due to be made in respect of that assessment year, the following procedure shall be followed, namely :—

(*i*) the allowance under clause (*ii*) of sub-section (*2*) of this section shall be made before any allowance under clause (*i*) of that sub-section is made; and

(*ii*) where an allowance has to be made under clause (*ii*) of sub-section (*2*) of this section in respect of amounts carried forward from more than one assessment year, the amount carried forward from an earlier assessment year shall be allowed before any amount carried forward from a later assessment year.

(*3*) The deduction under sub-section (*1*) shall be allowed only if the following conditions are fulfilled, namely:—

(*i*) the particulars prescribed in this behalf have been furnished by the assessee;

(*ii*) an amount equal to seventy-five per cent. of the development allowance to be actually allowed is debited to the profit and loss account of the relevant previous year and credited to a reserve account to be utilised by the assessee during a period of eight years next following for the purposes of the business of the undertaking, other than—

(*a*) for distribution by way of dividends or profits; or

(*b*) for remittance outside India as profits or for the creation of any asset outside India; and

(*iii*) such other conditions as may be prescribed.

(*4*) If any such land is sold or otherwise transferred by the assessee to any person at any time before the expiry of eight years from the end of the previous year in which the deduction under sub-section (*1*) was allowed, any allowance under this section shall be deemed to have been wrongly made for the purposes of this Act, and the provisions of sub-section (*5A*) of section 155 shall apply accordingly:

Provided that this sub-section shall not apply—

(*i*) where the land is sold or otherwise transferred by the assessee to the Government, a local authority, a corporation established by a Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956; or

1 of 1956.

(*ii*) where the sale or transfer of the land is made in connection with the amalgamation or succession referred to in sub-section (*5*) or sub-section (*6*).

(*5*) Where in a scheme of amalgamation, a company (hereinafter in this sub-section referred to as the predecessor) sells or otherwise transfers to the company formed in pursuance of the predecessor's amalgamation with that company (hereinafter in this sub-section referred to as the successor) any land in respect of which development allowance has been allowed to the predecessor under sub-section (*1*),—

(*a*) the successor shall continue to fulfil the conditions mentioned in sub-section (*3*) in respect of the reserve created by the predecessor and in respect of the period within which such land shall not be sold or otherwise transferred and in default of any of these conditions, the provisions of sub-section (*5A*) of section 155 shall apply to the successor as they would have applied to the predecessor had it committed the default;

(*b*) the balance of development allowance, if any, still outstanding to the predecessor in respect of such land shall be allowed to the successor in accordance with the provisions of sub-section (*2*), so however, that the total period for which the balance of development allowance shall be carried forward in the assessments of the predecessor and the successor shall not exceed the period of eight years specified in sub-section (*2*) and the successor shall be treated as the assessee in respect of such land for the purposes of this section.

Explanation.—For the purposes of this sub-section, "amalgamation" shall have the meaning assigned to it in the *Explanation* to sub-section (*3*) of section 33.

(*6*) Where a firm is succeeded to by a company in the business carried on by it as a result of which the firm sells or otherwise transfers to the company any land on which development allowance has been allowed, the provisions of clauses (*a*) and (*b*) of

sub-section (5) shall, so far as may be, apply to the firm and the company.

Explanation.—The provisions of this sub-section shall apply if the conditions laid down in the *Explanation* to sub-section (4) of section 33 are fulfilled.

(7) For the purposes of this section, "actual cost of planting" means the aggregate of—

(*i*) the cost of preparing the land;

(*ii*) the cost of seeds, cutting and nurseries;

(*iii*) the cost of planting and replanting; and

(*iv*) the cost of up-keep thereof for the previous year in which the land has been prepared and the three successive previous years next following such previous year,

reduced by that portion of the cost, if any, as has been met directly or indirectly by any other person or authority:

Provided that where such cost exceeds twelve thousand five hundred rupees per hectare in respect of land situate in a hilly area or exceeds ten thousand rupees per hectare in any other area, then the excess shall be ignored.

(8) The Board may, having regard to the elevation and topography, by general or special order, declare any areas to be hilly areas for the purposes of this section and such order shall not be questioned before any court of law or any other authority.'.

Amendment of section 34.

10. In section 34 of the Income-tax Act, in the *Explanation* to clause (*i*) of sub-section (2), for the words, brackets and figures "is transferred by a company to a subsidiary company, then, if the conditions of clause (*iv*) of section 47 are satisfied", the following shall be substituted, namely :—

"is transferred by a holding company to its subsidiary company or by a subsidiary company to its holding company, then, if the conditions of clause (*iv*) or, as the case may be, of clause (*v*) of section 47 are satisfied".

Amendment of section 36.

11. In section 36 of the Income-tax Act, in sub-section (*1*), after clause (*viii*), the following clause shall be inserted, namely:—

"(*ix*) any expenditure *bona fide* incurred by a company for the purpose of promoting family planning amongst its employees:

Provided that where such expenditure or any part thereof is of a capital nature, one-fifth of such expenditure shall be deducted for the previous year in which it was incurred; and the balance thereof shall be deducted in equal instalments for each of the four immediately succeeding previous years.".

Amendment of section 37.

12. In section 37 of the Income-tax Act, in clause (*i*) of sub-section (2), after the word and figures "section 33", the words, figures and letter "or section 33A" shall be inserted.

Amendment of section 40.

13. In section 40 of the Income-tax Act, in sub-clause (*iii*) of clause (*c*),—

(*a*) in the proviso—

(*i*) after the words, brackets and figure "in sub-clause (*i*)", the words, brackets and figures "or any payment of tax referred to in sub-clause (*vii*)" shall be inserted;

(*ii*) after the words, brackets and figures "clause (*iv*) or clause (*v*)", the words, brackets and figures "or any expenditure referred to in clause (*ix*)" shall be inserted;

(*b*) after the proviso, the following proviso shall be inserted, namely:—

'Provided further that nothing in this sub-clause shall apply to any expenditure which results directly or indirectly in the provision of any benefit or amenity or perquisite to an employee whose income chargeable under the head "Salaries" is seven thousand five hundred rupees or less.'.

Amendment of section 43.

14. In section 43 of the Income-tax Act, in *Explanation 6* to clause (*1*) and *Explanation 2* to clause (*6*), for the words, brackets and figures "is transferred by a company to its subsidiary company, then, if the conditions of clause (*iv*) of section 47 are satisfied", the following shall be substituted, namely :—

"is transferred by a holding company to its subsidiary company or by a subsidiary company to its holding company, then, if the conditions of clause (*iv*) or, as the case may be, of clause (*v*) of section 47 are satisfied".

Amendment of section 47.

15. In section 47 of the Income-tax Act, after clause (*iv*), the following clause shall be inserted, namely:—

"(*v*) any transfer of a capital asset by a subsidiary company to the holding company if—

(*a*) the whole of the share capital of the subsidiary company is held by the holding company, and

(*b*) the holding company is an Indian company.".

Amendment of section 49.

16. In section 49 of the Income-tax Act,—

(*i*) in sub-clause (*e*) of clause (*iii*), after the word, brackets and figures "clause (*iv*)", the words, brackets and figure "or clause (*v*)" shall be inserted;

(*ii*) at the end, the following *Explanation* shall be added, namely:—

'*Explanation.*—In this section the expression "previous owner of the property" in relation to any capital asset owned by an assessee means the last previous owner of the capital asset who acquired it by a mode of acquisition other than that referred to in clause (*i*) or clause (*ii*) or clause (*iii*) of this section.'.

Insertion of new section. 54A. Relief of tax on capital gains in certain cases.

17. After section 54 of the Income-tax Act, the following section shall be inserted, namely :—

'54A. (*1*) Where in the case of an assessee, being an individual who is not a citizen of India or being a company which is not an Indian company, a capital gain arises from the transfer of a capital asset, being shares in an Indian company, and the assessee has, within a period of two years from the date of such transfer, re-invested the full value of the consideration or any part thereof received or accruing as a result of such transfer in an investment approved by the Central Government in this behalf (hereinafter in this section referred to as the approved investment), the assessee shall, subject to the provisions of sub-section (*3*), be entitled to a credit of a sum calculated in accordance with the provisions of sub-section (*2*).

(*2*) The amount to be given as credit under sub-section (*1*) shall be a sum which bears to the amount of income-tax payable by the assessee on the income chargeable under the head "Capital gains" arising from the transfer referred to in sub-section (*1*) the same proportion as the amount invested in the approved investment as reduced by the cost of acquisition [as ascertained for the purposes of clause (*ii*) of section 48] of the transferred shares bears to the capital gains arising from such transfer.

(3) The amount of credit so calculated shall be given in the following manner, namely:—

(a) if the approved investment is made by the assessee within the period of two years aforesaid and before the completion of the assessment in respect of the year in which the income arising from such transfer is chargeable to tax, the amount of the credit shall, on the assessee making a claim in this behalf in the prescribed form and in the prescribed manner, be adjusted against the tax payable by the assessee in respect of that assessment year, and

(b) if the approved investment is made by the assessee within the period of two years aforesaid but after the assessment for the relevant year is made, the amount of the credit shall, on the assessee making a claim in the prescribed form and in the prescribed manner be deemed to be refund due to the assessee under Chapter XIX and all the provisions of this Act shall apply accordingly.'.

Amendment of section 56.

18. In section 56 of the Income-tax Act, in sub-section (2), after clause (*i*), the following clause shall be inserted, namely:—

"(*ia*) income referred to in sub-clause (*viii*) of clause (*24*) of section 2;".

Insertion of new section 69B.

19. After section 69A of the Income-tax Act, the following section shall be inserted under the sub-heading "*Aggregation of Income*", namely :—

Amount of investments, etc., not fully disclosed in books of account.

"69B. Where in any financial year the assessee has made investments or is found to be the owner of any bullion, jewellery or other valuable article, and the Income-tax Officer finds that the amount expended on making such investments or in acquiring such bullion, jewellery or other valuable article exceeds the amount recorded in this behalf in the books of account maintained by the assessee for any source of income, and the assessee offers no explanation about such excess amount or the explanation offered by him is not, in the opinion of the Income-tax Officer, satisfactory, the excess amount may be deemed to be the income of the assessee for such financial year.".

Insertion of new Chapter VIA.

20. After section 80 of the Income-tax Act, the following Chapter and sections shall be inserted, namely:—

'CHAPTER VIA

DEDUCTIONS TO BE MADE IN COMPUTING TOTAL INCOME

Deduction in respect of life insurance premia, annuities and contributions to provident fund, etc.

80A. (*1*) In computing the total income of an assessee there shall be deducted, in accordance with and subject to the provisions of this section, an amount equal to fifty per cent. of the aggregate of the sums specified in sub-section (*2*).

(*2*) The sums referred to in sub-section (*1*) shall be the following, namely:—

(*a*) where the assessee is an individual, any sums paid in the previous year by the assessee out of his income chargeable to tax—

(*i*) to effect or to keep in force an insurance on the life of the assessee or on the life of the wife or husband of the assessee; or

(*ii*) to effect or to keep in force a contract for a deferred annuity on the life of the assessee or on the life of the wife or husband of the assessee; or

(*iii*) as a contribution to any provident fund to which the Provident Funds Act, 1925 applies; 19 of 1925

(*b*) where the assessee is a Hindu undivided family, any sums paid in the previous year by the assessee out of its income chargeable to tax, to effect or to keep in force an insurance on the life of any male member of the family or of the wife of any such member;

(*c*) any sum deducted in the previous year from the salary payable by or on behalf of the Government to any individual, being a sum deducted in accordance with the conditions of his service, for the purpose of securing to him a deferred annuity or making provision for his wife or children, in so far as the sum so deducted does not exceed one-fifth of the salary;

(*d*) if the assessee is an employee participating in a recognized provident fund, his own contributions to his individual account in the fund in the previous year, to the extent provided in rule 7 of Part A of the Fourth Schedule;

(*e*) if the assessee is an employee participating in an approved superannuation fund, any sum paid in the previous year by him by way of contribution towards the superannuation fund;

(*f*) where the assessee is an individual, any sums deposited, in the previous year by the assessee out of his income chargeable to tax, in a ten-year account or a fifteen-year account under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959, as amended from time to time.

(3) The provisions of clauses (*a*) and (*b*) of sub-section (2) shall apply only to so much of any premium or other payment made on a policy other than a contract for a deferred annuity as is not in excess of ten per cent. of the actual capital sum assured.

Explanation.—In calculating any such capital sum, no account shall be taken—

(*i*) of the value of any premiums agreed to be returned, or

(*ii*) of any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.

(4) The aggregate of the sums referred to in sub-section (2), which qualifies for the purposes of computing the deduction referred to in sub-section (1), shall not exceed—

(*i*) in the case of an individual being an author, play-wright, artist, musician or actor, such percentage of his total income, as computed before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280O, or such amount, as may be prescribed :

Provided that such individual has effected an insurance referred to in sub-clause (*i*) of clause (*a*) of sub-section (2) prior to the 1st day of March, 1964 and has paid any sum in the previous year to keep in force such insurance;

(*ii*) in the case of any other individual [including an author, play-wright, artist, musician or actor to whom the provisions of clause (*i*) do not apply], twenty-five per cent. of the total income, as computed before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280O, or twelve thousand five hundred rupees, whichever is less;

(*iii*) in the case of a Hindu undivided family, twenty-five per cent. of its total income, as computed before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280O, or twenty-five thousand rupees, whichever is less.

(5) If the total income of the assessee includes any income chargeable under the head "Salaries", the deduction under sub-section (1) shall be made in computing the income under that head, and if there is no income chargeable under that head, or if the amount required to be deducted exceeds such income, the whole or the balance of the amount required to be deducted shall be allowed as a deduction in computing earned income chargeable under any other head, and, if there is no earned income chargeable under any other head or the whole or the balance of the amount required to be deducted exceeds such earned income, the whole or the balance of the amount required to be deducted shall be allowed as a deduction in computing any other income under any head.

(6) This section shall apply in respect of—

(i) the assessment year commencing on the 1st day of April, 1966 and any subsequent assessment year, in the case of an assessee whose total income includes any income chargeable under the head "Salaries" from which tax is deducted, or deductible, at source in accordance with the provisions of section 192; and

(ii) the assessment year commencing on the 1st day of April, 1965 and any subsequent assessment year, in the case of any other assessee.

Deduction in respect of medical treatment, etc., of handi-capped persons.

80B. (1) Where an assessee who is resident in India, being an individual or Hindu undivided family, who has, during the previous year, incurred out of his or its income chargeable to income-tax, any expenditure for the medical treatment (including nursing) of a person who—

(a) is a relative of the individual, or, as the case may be, is a member of the Hindu undivided family and is not dependent on any person other than such individual or Hindu undivided family for his support or maintenance, and

(b) is suffering from a physical or mental disability which is certified by a registered medical practitioner to have the effect of reducing considerably such person's capacity for normal work or engaging in a gainful employment (hereinafter in this section referred to as handicapped dependant),

the assessee shall, subject to the provisions of this section, be allowed a deduction of the amount specified in sub-section (2) in the computation of his total income in respect of the previous year.

(2) The deduction under sub-section (1) shall be—

(i) in a case where the handicapped dependant has been admitted in a hospital or a nursing home or any medical institution for a period of one hundred and eighty-two days or more during the previous year and fees and charges for his medical treatment (including nursing) are payable to such hospital or nursing home or medical institution, as the case may be, a sum of two thousand four hundred rupees, or

(ii) in any other case, a sum of six hundred rupees,

as reduced, in either case, by an amount equal to the income, if any, of the handicapped dependant in respect of the previous year :

Provided that where the assessee has, during the previous year, incurred expenditure on more than one handicapped dependant, the deduction under sub-section (1) shall be allowed only with reference to one such handicapped dependant as may be chosen by the assessee.

(3) If the total income of the assessee includes any earned income, the allowance referred to in sub-section (1) shall be made in computing the earned income chargeable under any head, and if there is no such income or the amount of the allowance exceeds such income, the whole or the balance of such amount, as the case may be, shall be allowed as a deduction in computing the assessee's unearned income chargeable under any head.

(4) Nothing contained in this section shall apply in a case where the assessee's total income in respect of the previous year as computed before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280O exceeds twenty thousand rupees or where the income of the handicapped dependant in respect of the previous year exceeds two thousand four hundred rupees, or as the case may be, six hundred rupees.

Relief relating to payment for securing retirement annuities.

80C. (1) Where in the case of an assessee, being an individual who is a citizen of India and is resident in India, his share in the income of a registered firm which renders professional service as chartered accountant, solicitor, lawyer, architect, or such other professional service as may be notified in this behalf by the Central Government in the Official Gazette is chargeable to tax and he has paid out of his income chargeable to tax a premium (by whatever name called) in any previous

year under an annuity contract for the time being approved by the Commissioner as having for its main object the provision for the individual of a life annuity in old age (hereinafter in this section referred to as qualifying premium), then the assessee shall, subject to the provisions of this section, be allowed a deduction of the amount of the qualifying premium in the computation of his total income in respect of the previous year:

Provided that the amount which may be so deducted shall not exceed the sum of five thousand rupees or one-tenth of his total income for that year, whichever is less:

Provided further that any annuity payable to the individual shall be deemed to be his earned income to the extent to which it is attributable to the amount in respect of which deduction has been allowed under this section and chargeable to tax accordingly.

Explanation.—For the purposes of the first proviso, "total income" means the total income computed in accordance with the provisions of this Act, before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280O but excluding any income which would otherwise be included in his total income under the provisions of section 64.

(2) Subject to sub-section (3) and any rules made by the Board in this behalf, the Commissioner shall not approve a contract unless he is satisfied that it does not—

(*a*) provide for the payment during the life of the individual of any sum except sums payable by way of annuity to the individual; or

(*b*) provide for the annuity payable to the individual to commence before he attains the age of fifty-eight or after he attains the age of sixty-eight; or

(*c*) provide for the payment of any other sums except sums payable by way of annuity to the individual's widow or widower and any sums which, in the event of no annuity becoming payable either to the individual or to a widow or widower of the individual, are payable to the individual's legal representative, by way of return of premiums, by way of reasonable interest on premiums and by way of bonus out of profits; or

(*d*) provide for the payment of annuity, if any, payable to a widow or widower of the individual to be of a greater annual amount than that paid or payable to the individual; or

(*e*) provide for the payment of any annuity otherwise than for the life of the annuitant;

and that it does include a provision that no annuity payable under it shall be capable in whole or in part of surrender, commutation or assignment.

(3) The Commissioner may, if he thinks fit, and subject to any conditions the Board may, by rules, prescribe and subject to any conditions he thinks proper to impose, approve a contract notwithstanding that the contract provides for one or more of the following matters, that is to say,—

(*a*) for the payment after the individual's death of an annuity to a dependant other than the widow or widower of the individual;

(*b*) for the payment to the individual of an annuity commencing before he attains the age of fifty-eight, if the annuity is payable on his becoming incapable through infirmity of mind or body of being actively engaged in his profession or any profession of a similar nature for which he is trained or fitted;

(*c*) for the annuity payable to any person to continue for a specified term (not exceeding ten years), notwithstanding his death within that term;

(*d*) in the case of an annuity which is to continue for such specified term, for the annuity to be assignable by will.

(4) The foregoing provisions of this section shall apply in relation to a contribution (by whatever name called) to a fund approved by the Commissioner as they apply in relation to any premium under an annuity contract so approved provided the fund satisfies also the conditions set out below and any other conditions which the Board may, by rules, prescribe, namely :—

(*a*) the fund shall be a fund established in India under an irrevocable trust for the benefit of individuals engaged in any profession referred to in sub-section (*1*);

(*b*) the fund shall have for its sole purpose the provision of annuities for individuals engaged in such profession on attaining a specified age or on their becoming incapacitated prior to attaining such age, or for the widow, children or dependants of such persons on their death;

(*c*) all annuities, pensions and other benefits granted from the fund shall be payable only in India.

(5) The Commissioner may, at any time, after giving a reasonable opportunity of showing cause against the proposed withdrawal to the persons by and to whom premiums are payable under any contract for the time being approved under this section, or to the trustees of any fund so approved, withdraw the approval.

(6) Notwithstanding anything contained in sub-sections (1) and (4), no deduction under this section shall be allowed in the case of any individual—

(i) whose total income includes unearned income of more than ten thousand rupees; or

(ii) who is entitled to any pension or participating in any pension or superannuation scheme.

(7) The allowance under this section shall be made in computing the earned income of the assessee included in the total income, so however, that the allowance shall not in any case exceed the amount of the income computed under the head "Profits and gains of business or profession".

(8) Any annuity payable under an approved contract referred to in sub-section (1) or from any fund referred to in sub-section (4), to a person other than the individual who pays the premium or makes the contribution and any interest on premiums or bonus out of profits payable to such person, shall be deemed to be his unearned income to the extent it is attributable to the amount of deduction allowed under sub-section (1) and chargeable to tax accordingly.

(9) Where any payment by way of annuity or otherwise is made by a person to whom premiums or contributions are payable under sub-section (1) or sub-section (4), such person shall, subject to any rules made by the Board in this behalf, deduct from the total amount so paid during any financial year, tax at such rate or rates in force in that year as would be applicable to such amount, if it were the total income and shall pay the amount so deducted to the credit of the Central Government within the prescribed time and in such manner as the Board may direct and the provisions of section 201 shall, so far as may be, apply to such person if he does not deduct, or after deducting fails to pay, such tax.

(10) Where a deduction under this section is claimed and allowed for any assessment year in respect of any payment, relief shall not be given in respect of it under any other provision of this Act for the same or a later assessment year nor (in the case

of a payment under an annuity contract) in respect of any other premium or consideration for an annuity under the same contract.

(*11*) (*a*) The Board may, by notification in the Official Gazette, make rules for carrying out the purposes of this section.

(*b*) In particular and without prejudice to the generality of the foregoing power, such rules may—

(*i*) prescribe the statements and other information to be submitted along with an application for approval;

(*ii*) prescribe the returns, statements, particulars or information which the Income-tax Officer may require from a person by and to whom premiums or contributions are payable under this section;

(*iii*) provide for the assessment by way of penalty of any consideration received by an individual for an assignment of, or creation of a charge upon, any annuity or other sum receivable by him under any contract or from any fund approved for the time being under this section; and

(*iv*) provide for securing such further control over the approval granted under this section and administration of funds approved under this section as it may deem requisite.

Definitions.

80D. In this Chapter—

(*i*) "relative" in relation to an individual means—

(*a*) the mother, father, husband or wife of the individual, or

(*b*) a son, daughter, brother, sister, nephew or niece of the individual, or

(*c*) a grandson or grand-daughter of the individual, or

(*d*) the spouse of any person referred to in sub-clause (*b*);

(*ii*) "income" in relation to a handicapped dependant means the aggregate income of such person from all sources;

(*iii*) the expressions "earned income" and "unearned income" shall have the meanings respectively assigned to them in the Finance Act of the relevant year.'.

Amendment of section 84.

21. In section 84 of the Income-tax Act, in sub-section (*6*), for the word, figures and letter "Chapter XI—D", the word and figures "Chapter XI" shall be substituted.

Insertion of new section 85A. Deduction of tax on inter-corporate dividends.

22. After section 85 of the Income-tax Act, the following section shall be inserted, namely :—

"85A. Where the total income of an assessee being a company includes any income by way of dividends received by it from an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends (including dividends on preference shares) within India, the assessee shall be entitled to a deduction from the income-tax with which it is chargeable on its total income for any assessment year of so much of the amount of income-tax calculated at the average rate of income-tax on the income so included as exceeds an amount of twenty-five per cent. thereof:

Provided that in the case of a company which has not made the prescribed arrangements for the declaration and payment of dividends within India and whose total income includes any income by way of dividends received by it from an Indian company which is not such a company as is referred to in section 108 and which is wholly or mainly engaged in the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in paragraph 2 of the Third Schedule to the Companies (Profits) Surtax Act, 1964, the amount of income-tax deductible under this section shall be so much of the amount of income-tax calculated at the average rate of income-tax on the income so included as exceeds an amount of fifteen per cent. thereof. 7 of 196

Explanation.—For the purposes of this section, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in paragraph 2 of the Third Schedule to the Companies (Profits) Surtax Act, 1964, if the income attributable to any of the aforesaid activities included in its total income for the previous year is not less than fifty-one per cent. of such total income.". 7 of 1964.

Amendment of section 86.

23. In section 86 of the Income-tax Act, clauses (*i*) and (*ii*) shall be omitted.

Insertion of new section 86A. Deduction from tax on certain securities.

24. In Chapter VII of the Income-tax Act, after section 86, the following section shall be inserted, namely :—

"86A. Where there is included in the total income of an assessee—

(*i*) the interest due on any security of the Central Government issued or declared to be income-tax free, or

(*ii*) the interest due on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government,

the assessee shall be entitled to a deduction from the amount of income-tax with which he is chargeable on his total income, of an amount equal to the income-tax calculated on the amount so included at the average rate of income-tax or at the rate of twenty-five per cent., whichever is less.".

Amendment of section 87.

25. In section 87 of the Income-tax Act,—

(*i*) in sub-section (*4*), the words, figures and letter "together with the amount of super-tax deductible under section 99A" shall be omitted;

(*ii*) after sub-section (*4*), the following sub-section shall be inserted, namely :—

'(*5*) This section shall not apply in respect of—

(*i*) the assessment year commencing on the 1st day of April, 1966 and any subsequent assessment year, in the case of an assessee whose total income includes any income chargeable under the head "Salaries" from which tax is deducted, or deductible, at source in accordance with the provisions of section 192; and

(*ii*) the assessment year commencing on the 1st day of April, 1965 and any subsequent assessment year in the case of any other assessee.'.

Amendment of section 88.

26. In section 88 of the Income-tax Act,—

(*i*) in sub-section (*1*), for the words "of an amount equal to the income-tax calculated at the average rate of income-tax on any sums paid by him in the previous year", the following shall be substituted, namely :—

"(*a*) where the assessee is a company, of an amount equal to the income-tax calculated at the average rate of income-tax or at the rate of twenty-five per cent., whichever is less, and

(*b*) in the case of any other assessee, of an amount equal to the income-tax calculated at the average rate of income-tax,

on any sums paid by the assessee in the previous year";

(*ii*) in sub-section (*3*), after the first proviso, the following proviso shall be inserted, namely :—

"Provided further that where any such sums paid during any previous year relevant to the assessment year

commencing on the 1st day of April, 1965 or any subsequent assessment year include any donation referred to in sub-section (6), and such sums exceed the limit of two hundred thousand rupees specified in the first proviso, then such limit shall be raised to cover that portion of the donation which is equal to the difference between such sums and the said limit, so however, that the limit so raised shall not exceed ten per cent. of the assessee's total income as reduced as aforesaid or five hundred thousand rupees, whichever is less :";

(*iii*) in sub-section (4), the words and figures "together with the amount of super-tax deductible under section 100" shall be omitted;

(*iv*) in sub-section (6),—

(*a*) for the words "any temple, mosque, gurdwara, church or any other place", the words "any such temple, mosque, gurdwara, church or other place" shall be, and shall be deemed always to have been, substituted;

(*b*) after the words "artistic importance", the words "or to be a place of public worship of renown throughout any State or States" shall be inserted.

Amendment of section 90.

27. In section 90 of the Income-tax Act, in clause (*a*), the brackets and words "(including super-tax)" shall be omitted.

Amendment of section 91.

28. In section 91 of the Income-tax Act, in clause (*i*) of the *Explanation*, the words "and super-tax" shall be omitted.

Amendment of Chapter XI.

29. In Chapter XI of the Income-tax Act,—

(*i*) for the heading "SUPER-TAX", the heading "ADDITIONAL INCOME-TAX ON UNDISTRIBUTED PROFITS" shall be substituted;

(*ii*) sub-headings "*A.—General*", "*B.—Incomes forming part of total income on which no super-tax is payable*", "*C.—Rebate of super-tax*" and "*D.—Additional super-tax on undistributed profits*" and sections 95 to 103 (both inclusive) shall be omitted.

Amendment of section 104.

30. In section 104 of the Income-tax Act, in sub-section (*1*),—

(*i*) for the word "super-tax", the word "income-tax" shall be substituted;

(*ii*) in clause (*a*), the word "and" shall be omitted;

(*iii*) for the brackets, letter and words "(*b*) thirty-seven per cent. in the case of any other company", the following shall be substituted, namely:—

"(*b*) thirty-seven per cent. in the case of a trading company, and

(*c*) twenty-five per cent. in the case of any other company".

Amendment of section 109.

31. In section 109 of the Income-tax Act,—

(*i*) in sub-clause (*a*) of clause (*i*), the words "and super-tax" shall be omitted and for the words "any super-tax", the words "any income-tax" shall be substituted;

(*ii*) after clause (*ii*), the following clause shall be inserted, namely:—

'(*iia*) "trading company" means a company whose business consists wholly or mainly in dealing in goods or merchandise manufactured, produced or processed by a person other than that company and whose income attributable to such business included in its total income is not less than fifty-one per cent. of the amount of such total income;';

(*iii*) in clause (*iii*), to sub-clause (4) (*a*), the following proviso shall be added, namely:—

'Provided that in the case of such company, not being a trading company, sub-clause (*a*) shall have effect as if for the word "exceed", the words "exceed twice the amount of" were substituted.'.

Substitution of new section for section 110.

32. For section 110 of the Income-tax Act, the following section shall be substituted, namely:—

Determination of tax where total income includes income on which no tax is payable.

"110. Where there is included in the total income of an assessee any income on which no income-tax is payable under the provisions of this Act, the assessee shall be entitled to a deduction, from the amount of income-tax with which he is chargeable on his total income, of an amount equal to the income-tax calculated at the average rate of income-tax on the amount on which no income-tax is payable.".

Amendment of section 111.

33. In section 111 of the Income-tax Act, for the words "income-tax and super-tax", the word "tax" shall be substituted.

Amendment of section 112.

34. In section 112 of the Income-tax Act,—

(*i*) in clause (*i*), for the word "income-tax", the word "tax" shall be substituted;

(*ii*) clause (*ii*) shall be omitted;

(*iii*) in clause (*iii*), for the words "income-tax and super-tax", the word "tax" shall be substituted.

Omission of section 113.

35. Section 113 of the Income-tax Act shall be omitted.

Amendment of section 114.

36. In section 114 of the Income-tax Act,—

(*i*) the words "and super-tax", wherever they occur, shall be omitted;

(*ii*) in clause (*b*) –

(*a*) in sub-clause (*i*), the words "and the average rate of super-tax respectively" shall be omitted;

(*b*) in sub-clause (*ii*), after the second proviso, the following proviso shall be inserted, namely:—

"Provided further that the amount of income-tax so calculated in respect of the capital gains relating to bonus shares, if any, chargeable under sub-section (2) of section 45, shall be reduced by an amount equal to ten per cent. of the face value of such bonus shares or the amount of income-tax so calculated, whichever is less."; and

(*c*) the words "and three-fourths of the average rate of super-tax respectively", "and one-half of the average rate of super-tax respectively" and "and average rate of super-tax" shall be omitted.

Substitution of new section for section 115.

37. For section 115 of the Income-tax Act, the following section shall be substituted, namely:—

Tax on capital gains in case of companies.

'115. Where the total income of a company includes any income chargeable under the head "Capital gains" (whether such gains relate to short-term capital assets or to other capital assets), the income-tax payable by it shall be the aggregate of—

(*i*) the amount of income-tax calculated at the rate of twelve and a half per cent. on the amount of capital gains relating to bonus shares, if any, chargeable under sub-section (2) of section 45 as reduced by an amount equal to ten per cent. of the face value of such bonus shares; so however, that the reduction shall in no case exceed the amount of income-tax so calculated;

(*ii*) the amount of income-tax calculated on the amount of capital gains relating to capital assets other than

short-term capital assets included in the total income—

(*a*) at the rate of forty per cent. on so much of the amount of such capital gains as relate to buildings or lands or any rights in buildings or lands; and

(*b*) at the rate of thirty per cent. on the balance of such capital gains, if any [excluding capital gains, if any, referred to in clause (*i*)]; and

(*iii*) the amount of income-tax with which it would have been chargeable had its total income been reduced by the amount of capital gains referred to in clauses (*i*) and (*ii*).'.

Amendment of section 131.

38. In section 131 of the Income-tax Act, after the words "Appellate Assistant Commissioner", the words "Inspecting Assistant Commissioner" shall be inserted.

Amendment of section 155.

39. In section 155 of the Income-tax Act,—

(*i*) after sub-section (5), the following sub-section shall be inserted, namely:—

"(5*A*) Where an allowance by way of development allowance has been made wholly or partly to an assessee in respect of the cost of planting in any area in any assessment year under section 33A and subsequently—

(*i*) at any time before the expiry of eight years from the end of the previous year in which such allowance was made, the land is sold or otherwise transferred by the assessee to any person other than the Government, a local authority, a corporation established by a Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956, or in connection with any amalgamation or succession referred to in sub-section (5) or sub-section (6) of section 33A; or

1 of 1956.

(*ii*) at any time before the expiry of the eight years referred to in sub-section (3) of section 33A, the assessee utilises the amount credited to the reserve account under clause (*ii*) of that sub-section—

(*a*) for distribution by way of dividends or profits; or

(*b*) for remittance outside India as profits or for the creation of any asset outside India; or

(*c*) for any other purpose which is not a purpose of the business of the undertaking,

the development allowance originally allowed shall be deemed to have been wrongly allowed, and the Income-tax Officer may, notwithstanding anything contained in this Act, recompute the total income of the assessee for the relevant previous year and make the necessary amendment; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the previous year in which the sale or transfer took place or the money was so utilised.";

(*ii*) in sub-section (7), for the words "the super-tax", the words "the tax" shall be substituted.

Amendment of section 164.

40. In section 164 of the Income-tax Act, the words "or total world income" shall be omitted.

Amendment of section 178.

41. In section 178 of the Income-tax Act, for sub-sections (3) and (4), the following sub-sections shall be substituted, namely:—

"(3) The liquidator—

(*a*) shall not, without the leave of the Commissioner, part with any of the assets of the company or the properties in his hands until he has been notified by the Income-tax Officer under sub-section (2); and

(*b*) on being so notified, shall set aside an amount equal to the amount notified and, until he so sets aside such amount, shall not part with any of the assets of the company or the properties in his hands:

Provided that nothing contained in this sub-section shall debar the liquidator from parting with such assets or properties for the purpose of the payment of the tax payable by the company or for making any payment to secured creditors whose debts are entitled under law to priority of payment over debts due to Government on the date of liquidation or for meeting such costs and expenses of the winding up of the company as are in the opinion of the Commissioner reasonable.

(4) If the liquidator fails to give the notice in accordance with sub-section (1) or fails to set aside the amount as required by sub-section (3) or parts with any of the assets of the company or the properties in his hands in contravention of the provisions of that sub-section, he shall be personally liable for the payment of the tax which the company would be liable to pay:

Provided that if the amount of any tax payable by the company is notified under sub-section (2), the personal liability of the liquidator under this sub-section shall be to the extent of such amount.".

42. In section 181 of the Income-tax Act, after the words "tax free", the following words shall be inserted, namely:— Amendment of section 181

"at such rate not exceeding twenty-five per cent. as may be notified by the Central Government in the Official Gazette from time to time.".

43. In section 191 of the Income-tax Act, the brackets and figure "(*1*)" and sub-section (*2*) shall be omitted. Amendment of section 191.

44. In section 192 of the Income-tax Act,— Amendment of section 192.

(*i*) in sub-section (*1*), the words "and super-tax" and the words "and average rate of super-tax respectively" shall be omitted;

(*ii*) sub-section (*2*) shall be omitted;

(*iii*) in sub-section (*3*), the words, brackets and figure "or sub-section (*2*)" shall be omitted;

(*iv*) in sub-section (*5*), for the words "income-tax and super-tax", the word "tax" shall be substituted;

(*v*) in the *Explanation*, the words, brackets and figure "sub-section (*2*), and in" shall be omitted.

45. In section 193 of the Income-tax Act, the words "and super-tax" shall be omitted. Amendment of section 193.

46. In section 194 of the Income-tax Act, the words "and super-tax" and the words "or the total world income" shall be omitted. Amendment of section 194.

47. In section 195 of the Income-tax Act, in sub-section (*1*), the words "and super-tax", wherever they occur, shall be omitted. Amendment of section 195.

48. In section 197 of the Income-tax Act,— Amendment of section 197.

(*i*) in sub-section (*1*),—

(*a*) the words "or super-tax", wherever they occur, and the words "or the total world income" shall be omitted;

(*b*) in clause (*b*), for the word "super-tax", the word "income-tax" shall be substituted;

(*ii*) in sub-section (*2*), the words "and super-tax" shall be omitted;

(*iii*) in sub-section (*3*),—

(*a*) for the words and figures "sections 84 and 101", the word and figures "section 84" shall be substituted;

(*b*) the words, brackets and figures "and sub-section (*2*) of section 101" shall be omitted;

(c) for the words and figures "sections 85 and 101", the word and figures "section 85" shall be substituted.

Amendment of section 199.

49. In section 199 of the Income-tax Act, for the words "income-tax or super-tax, as the case may be", the word "tax" shall be substituted.

Amendment of section 203.

50. In section 203 of the Income-tax Act, for the words "income-tax or super-tax", wherever they occur, the word "tax" shall be substituted.

Amendment of section 206.

51. In section 206 of the Income-tax Act, in clause (c) of sub-section (1), the words "and super-tax" shall be omitted.

Amendment of section 209.

52. In section 209 of the Income-tax Act,—

(*i*) in clause (*a*),—

(*a*) in sub-clauses (*ii*) and (*iii*), the words "and super-tax", wherever they occur, shall be omitted;

(*b*) in sub-clause (*iv*), the words "and super-tax" and the brackets and letter "(*b*)" shall be omitted;

(*ii*) clause (*b*) shall be omitted;

(*iii*) in the *Explanation,* for the words, brackets and letters "clauses (*a*) and (*b*)", the word, brackets and letter "clause (*a*)" shall be substituted.

Amendment of sections 213 to 217, 220, 243 and 244.

53. In sections 213 to 217, 220, 243 and 244 of the Income-tax Act, for the words "four per cent.", the words "six per cent." shall be substituted.

Amendment of section 226.

54. In section 226 of the Income-tax Act, for sub-section (5), the following sub-section shall be substituted, namely:—

"(5) The Income-tax Officer may, if so authorised by the Commissioner by general or special order, recover any arrears of tax due from an assessee by distraint and sale of his movable property in the manner laid down in the Third Schedule.".

Amendment of section 235.

55. In section 235 of the Income-tax Act, for clause (*b*), the following clause shall be substituted, namely:—

"(*b*) where the shareholder—

(*i*) is not a company, the amount of income-tax payable by him under this Act but not exceeding income-tax calculated at the rate of twenty-five per cent., and

(*ii*) is a company, twenty-five per cent.,

on that portion of the dividend which is attributable to the profits of the company assessed to agricultural income-tax,".

Amendment of section 236.

56. In section 236 of the Income-tax Act, in clause (*iii*) of *Explanation* 2, for the words and figures "sections 88 and 100", the word and figures "section 88" shall be substituted.

Amendment of section 236A.

57. In section 236A of the Income-tax Act, in sub-section (*2*), for the word "super-tax", the word "tax" shall be substituted.

Insertion of new section 276A.

58. After section 276 of the Income-tax Act, the following section shall be inserted, namely:—

Failure to comply with the provisions of sub-sections (*1*) and (*3*) of section 178.

"276A. If a person, without reasonable cause or excuse,—

(*i*) fails to give the notice in accordance with sub-section (*1*) of section 178; or

(*ii*) fails to set aside the amount as required by sub-section (*3*) of that section; or

(*iii*) parts with any of the assets of the company or the properties in his hands in contravention of the provisions of the aforesaid sub-section,

he shall be punishable with rigorous imprisonment for a term which may extend to two years:

Provided that in the absence of special and adequate reasons to the contrary to be recorded in the judgment of the court, such imprisonment shall not be for less than six months.".

Amendment of section 279.

59. In section 279 of the Income-tax Act, in sub-section (*1*), after the word and figures "section 276", the words, figures and letter "or section 276A" shall be inserted.

Amendment of section 280P.

60. In section 280P of the Income-tax Act, the words "and super-tax" shall be omitted.

Amendment of section 280X.

61. In section 280X of the Income-tax Act, in sub-section (*2*), the brackets and words "(but not super-tax)" shall be omitted.

Insertion of new Chapter XXIIB.

62. After section 280X of the Income-tax Act, the following Chapter and sections shall be inserted, namely :—

'CHAPTER XXIIB

TAX CREDIT CERTIFICATES

Definitions.

280Y. In this Chapter,—

(*a*) "eligible issue of capital" means an issue of ordinary shares specified as such in the scheme;

(*b*) "public company" means a public company as defined in section 3 of the Companies Act, 1956; 1 of 1956

(*c*) "scheme" means a scheme made under this Chapter;

(*d*) "urban area" means any area which the Central Government may, having regard to the population, concentration of industries, need for proper planning of the area and other relevant factors, by general or special order, declare to be an urban area for the purposes of this Chapter.

Tax credit certificates to certain equity shareholders.

280Z. (*1*) An individual shall be granted a tax credit certificate if he by himself or some other person on his behalf has subscribed to, and made payments in respect of, any eligible issue of capital.

(*2*) A Hindu undivided family shall also be granted a tax credit certificate if any person has subscribed to, and made payments in respect of, any eligible issue of capital on behalf of that Hindu undivided family.

(*3*) A tax credit certificate granted under the provisions of this section shall be for the amount or the aggregate of the amounts computed as hereunder with reference to the capital so subscribed and paid :

(*i*) On the first Rs. 15,000 of the amount paid in the financial year	.. at the rate of 5 per cent.;
(*ii*) On the next Rs. 10,000 of the amount paid in the financial year	.. at the rate of 3 per cent.;
(*iii*) On the next Rs. 10,000 of the amount paid in the financial year	.. at the rate of 2 per cent.;
(*iv*) On the balance of the amount paid in the financial year	.. *Nil.*

Explanation.—For the purposes of this section, a payment shall be treated as having been made to the extent to which and on the date on which the amount of the said payment has been credited to the share capital account of the company.

(4) A tax credit certificate for the amount specified in sub-section (3) shall be granted to an individual or Hindu undivided family in respect of—

(*a*) the financial year in which payment by way of subscription to an eligible issue of capital was made, and

(*b*) each of the three financial years following that year:

Provided that the capital continues to be held by or on behalf of the individual or on behalf of the Hindu undivided family, as the case may be, until the end of the relevant financial year:

Provided further that where any part of the capital in respect of which a tax credit certificate had been granted in a financial year (hereinafter referred to as the earlier financial year) is sold, transferred or otherwise disposed of in a subsequent financial year, the tax credit certificate to be granted with reference to the remaining capital in respect of the said subsequent financial year or any financial year following that year shall be for such amount as bears to the amount for which the tax credit certificate was granted in the earlier financial year the same proportion as the amount of the remaining capital as on the 31st day of March of the subsequent financial year bears to the total amount of the capital with reference to which the tax credit certificate was granted in the earlier financial year.

(5) The amount shown on a tax credit certificate granted to an individual or Hindu undivided family shall, on the certificate being produced before the Income-tax Officer, be adjusted against any existing liability of such individual or Hindu undivided family under the Indian Income-tax Act, 1922, or this Act, or any such liability arising within the period of twelve months from the date on which the certificate was produced before the Income-tax Officer, and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the date of the expiry of the said period of twelve months, to be refund due to such individual or Hindu undivided family, as the case may be, under that Chapter and the provisions of this Act shall apply accordingly.

1 of 1922.

(6) The Central Government may specify in a scheme any issue of ordinary shares by a public company as eligible issue of capital.

(7) In specifying any issue of ordinary shares as eligible issue of capital, the Central Government shall have regard to the following factors, namely:—

(a) the total amount of the capital issued;

(b) the terms and conditions subject to which the capital is issued;

(c) the trade or business in which the company concerned is engaged;

(d) the purposes for which the issue is being made;

(e) any other relevant factor.

Tax credit certificates for shifting of industrial undertaking from urban area.

280ZA. (1) If any public company owning an industrial undertaking situate in an urban area shifts, with the prior approval of the Board, such undertaking to any area (not being the area in which such undertaking is situate), it shall be granted a tax credit certificate.

(2) The tax credit certificate to be granted under sub-section (1) shall be for an amount computed in the following manner with reference to the amount of the tax payable by the company on its income chargeable under the head "Capital gains" arising from the transfer of capital assets being buildings or lands or any rights in buildings or lands used for the purposes of the business of the said undertaking in the urban area, effected in the course of or in consequence of the shifting of such industrial undertaking, namely:—

(a) the amount of expenditure incurred by the company in—

(i) acquiring lands or constructing buildings for the purposes of the business of the company in the area to which the undertaking is shifted, and

(ii) shifting its machinery or plant and other effects and transferring its establishment to such area,

within a period of three years, from the date of the approval referred to in sub-section (1), or such further period as the Board may allow, shall first be ascertained;

(b) the amount of the tax credit certificate shall bear to the amount of tax payable by the company on its income chargeable under the head "Capital gains" as aforesaid, the

same proportion as the amount of expenditure ascertained under clause (*a*) bears to the amount of the said income :

Provided that the amount of the tax credit certificate shall in no case exceed the amount of the tax aforesaid.

(*3*) The amount shown on a tax credit certificate granted to a public company under sub-section (*1*) shall, on the certificate being produced before the Income-tax Officer, be adjusted against any existing liability of the company under the Indian Income-tax Act, 1922, or this Act, or any such liability arising within the period of twelve months from the date on which the certificate was produced before the Income-tax Officer, and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the date of the expiry of the said period of twelve months, to be refund due to such company under that Chapter and the provisions of this Act shall apply accordingly.

11 of 1922.

(*4*) Where a capital asset, being building or land, or any right in building or land, acquired or, as the case may be, constructed in the area to which the undertaking of the company is shifted, is transferred by the company within a period of five years from the date of acquisition or, as the case may be, the date of completion of construction to any person other than the Government, a local authority, a corporation established by a Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956, an amount equal to one-half of the amount for which a tax credit certificate has been granted to the company under sub-section (*1*) shall be deemed to be tax due from the company on the thirtieth day following the date of transfer under a notice of demand issued under section 156, and all the provisions of this Act shall apply accordingly.

1 of 1956.

Explanation.—Any land or building used for the residence of persons employed in the business of the company or for the use of such persons as a hospital, creche, school, canteen, library, recreational centre, shelter, rest-room or lunch-room shall, for the purposes of this section, be deemed to be land or building used for the purposes of the business of the company.

Tax credit certificate to certain manufacturing companies in certain cases.

280ZB. (*1*) Where any company engaged in the manufacture or production of any of the articles mentioned in the First Schedule to the Industries (Development and Regulation) Act, 1951—

65 of 1951.

(*i*) is liable to pay any tax for the assessment year commencing on the 1st day of April, 1965 (hereinafter re-

ferred to as the base year) and any one or more of the five assessment years next following that year under the Income-tax Act and the Companies (Profits) Surtax Act, 1964; or 7 of 1964.

(*ii*) is not liable to pay any tax for the base year but becomes so liable for any succeeding year (hereinafter referred to as the succeeding base year) under the aforesaid Acts and also for any one or more of the assessment years following that year, not being an assessment year commencing after the 1st day of April, 1970,

and the aggregate of such tax for any such succeeding year exceeds—

(*a*) in the case referred to in clause (*i*), the aggregate tax payable for the base year;

(*b*) in the case referred to in clause (*ii*), the aggregate tax payable for the succeeding base year,

then the company shall be granted a tax credit certificate for an amount equal to twenty per cent. of such excess:

Provided that the amount of the tax credit certificate shall not for any assessment year exceed ten per cent. of such aggregate tax payable by the company for that year.

(*2*) The amount shown on a tax credit certificate granted to any company under the provisions of sub-section (*1*) shall, on the certificate being produced before the Income-tax Officer, be adjusted against any existing liability of such company under the Indian Income-tax Act, 1922, or this Act, or any such liability 11 of 1922. arising within a period of twelve months from the date on which the certificate was produced before the Income-tax Officer and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the date of the expiry of the said period of twelve months, to be refund due to such company under that Chapter and the provisions of this Act shall apply accordingly:

Provided that the adjustment or refund, as the case may be, under this sub-section shall be only for such amount, not exceeding the amount of the certificate, as is used within such period as may be specified in the scheme for repayment of loans taken by the company from any financial institutions notified in this behalf by the Central Government or for redemption of its debentures.

Explanation.—The amount of income-tax payable by the company for any assessment year for the purposes of this section shall be computed after making allowance for any relief, rebate or deduction in respect of income-tax to which the company is entitled under the provisions of this Act or the annual Finance Act after deducting from such amount of income-tax the amount, if any, by which the rebate of income-tax admissible to the company under the provisions of the annual Finance Act is, under the provisions of the said Act, reduced with reference to the face value of any bonus shares or the amount of any bonus issued by the company to its shareholders during the previous year or any previous year prior to that year or with reference to any amount of dividends declared or distributed by it during the previous year or any previous year prior to that year.

Tax credit certificate in relation to exports

280ZC. (*1*) A person who exports any goods or merchandise out of India after the 28th day of February, 1965, and receives the sale proceeds thereof in India in accordance with the Foreign Exchange Regulation Act, 1947, and the rules made thereunder, shall be granted a tax credit certificate for an amount calculated at a rate not exceeding fifteen per cent. on the amount of such sale proceeds.

7 of 1947

(*2*) The goods or merchandise in respect of which a tax credit certificate may be granted under sub-section (*1*) and the rate at which the amount of such certificate shall be calculated shall be such as may be specified in the scheme:

Provided that different rates may be specified in respect of different goods or merchandise.

(*3*) In specifying the goods or merchandise and the rates, the Central Government shall have regard to the following factors, namely:—

(*a*) the cost of manufacture or production of such goods or merchandise and prices of similar goods in the foreign markets;

(*b*) the need to develop foreign markets for such goods or merchandise;

(*c*) any other relevant factor.

(*4*) The amount shown on a tax credit certificate granted to any person under this section shall, on the certificate being produced before the Income-tax Officer, be adjusted against any existing liability of that person under the Indian Income-tax Act, 1922, or this Act, or any such liability arising within the period of

11 of 1922

twelve months from the date on which the certificate was produced before the Income-tax Officer and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the date of the expiry of the said period, to be refund due to such person under that Chapter and the provisions of this Act shall apply accordingly.

Tax credit certificates in relation to increased production of certain goods.

280ZD. (*1*) A person who, during any financial year commencing on the 1st day of April, 1965, or any subsequent financial year (not being a year commencing after the 1st day of April, 1969), manufactures or produces any goods, shall be granted a tax credit certificate for an amount calculated at a rate not exceeding twenty-five per cent. of the amount by which the duty of excise paid by him in the relevant financial year on such goods exceeds the duty so paid by him, in the base year.

(*2*) The goods in respect of which a tax credit certificate may be granted under sub-section (*1*) and the rate at which the amount of such certificate shall be calculated shall be such as may be specified in the scheme :

Provided that different rates may be specified in respect of different goods.

(*3*) In specifying the goods and the rates under sub-section (*1*), the Central Government shall have regard to the following factors, namely:—

(*a*) the need for stimulating industrial output;

(*b*) the need for financial assistance to industrial undertakings engaged in the manufacture or production of such goods;

(*c*) any other relevant factor.

(*4*) The amount shown on a tax credit certificate granted to any person under the provisions of sub-section (*1*) shall, on the certificate being produced before the Income-tax Officer, be adjusted against any existing liability of such person under the Indian Income-tax Act, 1922, or this Act, or any such liability 11 of 1922.

arising within a period of twelve months from the date on which the certificate was produced before the Income-tax Officer and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the date of the expiry of the said period of twelve months, to be refund due to such person under that Chapter and the provisions of this Act shall apply accordingly:

Provided that the adjustment or refund, as the case may be, under this sub-section shall be only for such amount, not exceeding the amount of the certificate, as is used within such period as may be specified in the scheme for repayment of loans taken by the person from any financial institutions notified in this behalf by the Central Government or, in the case of a company, also for redemption of its debentures.

(5) In this section—

(*a*) "base year" in relation to an existing undertaking which manufactures or produces the goods referred to in sub-section (*1*), means the financial year commencing on the 1st day of April, 1964 and in relation to any other undertaking, the financial year in which such undertaking begins to manufacture or produce such goods;

(*b*) "duty of excise" means the duty of excise leviable under the Central Excises and Salt Act, 1944.

1 of 1944.

Tax credit certificate scheme.

280ZE. (*1*) The Central Government shall, by notification in the Official Gazette, frame one or more scheme or schemes to be called tax credit certificate scheme or schemes in relation to tax credit certificates to be granted under this Chapter.

(2) A scheme framed under sub-section (*1*) may provide for—

(*a*) the form and manner in which, and the authority to which, applications for the grant of tax credit certificates shall be made;

(*b*) the form in which, and the intervals at which, and the authority by which, such certificates shall be issued;

(*c*) the verification of any information or particulars furnished, or contained in any application made, by or on behalf of any person entitled to tax credit certificates;

(*d*) the determination of the rights and obligations of a person to whom such certificate has been granted and the

circumstances in which any right in or title to the said certificate may be transferred to or devolve on any other person by succession or otherwise;

(*e*) the determination of the rights and obligations of persons who jointly subscribe to an eligible issue of capital;

(*f*) the determination of the rights and obligations of persons who subscribe to an eligible issue of capital, on behalf, or for the benefit, of any other person;

(*g*) the appointment of any officer of Government or of the Reserve Bank of India to exercise any rights or perform any duties in connection with the grant of the said certificates;

(*h*) the goods or merchandise and the rate or rates for the purposes of section 280ZC and section 280ZD;

(*i*) any other matter which may be necessary or proper for the effective implementation of the provisions of this Chapter or the scheme.

(*3*) The Central Government may, by notification in the Official Gazette, add to, amend, vary or rescind any scheme made under this section.

(*4*) Any scheme made under this section shall be laid, as soon as may be, after it is made, before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two successive sessions, and if, before the expiry of the session in which it is so laid or the session immediately following, both Houses agree in making any modification in any provision of the scheme or both Houses agree that any provision in the scheme should not be made, that provision of the scheme shall thereafter have effect only in such modified form or be of no effect, as the case may be; so however that any such modification or annulment shall be without prejudice to the validity of anything previously done under that provision.'.

Amendment of section 294.

63. In section 294 of the Income-tax Act, the words "or super-tax" shall be omitted.

Amendment of section 295.

64. In section 295 of the Income-tax Act, in clause (*e*) of sub-section (*2*), after the words, brackets and figures "clause (*i*) of sub-section (*3*) of section 87", the words, brackets, figures and letter "or clause (*i*) of sub-section (*4*) of section 80A, as the case may be," shall be inserted.

Amendment of First Schedule.

65. In the First Schedule to the Income-tax Act, in rule 3, in clause (c), for the words "but no income-tax shall be payable on the annual average of the amount of such interest", the words "but

the assessee shall be entitled to a deduction from the amount of income-tax with which he is chargeable on his total income, of an amount calculated at the rate of twenty-five per cent. on the annual average of the amount of such interest" shall be substituted.

Amendment of Fourth Schedule.

66. In the Fourth Schedule to the Income-tax Act,—

(*a*) in Part A,—

(*i*) in rule 6, the words "and super-tax" shall be omitted;

(*ii*) to rule 7, the following proviso shall be added, namely:—

'Provided that in respect of an assessment year commencing on the 1st day of April, 1966 and any subsequent assessment year, this rule shall have effect as if for the words beginning with "from the amount of income-tax" and ending with the words "at the average rate of income-tax on", the words, figures and letter "under section 80A computed with reference to" were substituted.';

(*iii*) in sub-rule (*1*) of rule 9, for the words "income-tax and super-tax", wherever they occur, the word "tax" shall be substituted;

(*iv*) in sub-rule (*3*) of rule 11, the words "and super-tax" shall be omitted;

(*v*) in clause (*d*) of sub-rule (*1*) of rule 15, for the words "income-tax and super-tax", the word "tax" shall be substituted;

(*b*) in Part B,—

(*i*) in rule 5, the words "and super-tax" shall be omitted;

(*ii*) in rule 6,—

(*a*) for the words "income-tax and super-tax", wherever they occur, the word "tax" shall be substituted;

(*b*) after the words "paid to an employee during his life time,", the words, brackets and figures "in circumstances other than those referred to in clause (*13*) of section 10" shall be inserted;

(*iii*) in clause (*e*) of sub-rule (*1*) of rule 11, for the words "income-tax and super-tax", the word "tax" shall be substituted;

(c) in Part C, in rule 7, the words "and super-tax" shall be omitted.

Insertion of new Schedule.

67. After the Fourth Schedule to the Income-tax Act, the following Schedule shall be inserted, namely :—

'THE FIFTH SCHEDULE

[*See* section 33(*1*) (*iii*) (c)]

List of articles and things

(*1*) Iron and steel (metal), ferro-alloys and special steels.

(*2*) Aluminium, copper, lead and zinc (metals).

(*3*) Industrial machinery specified under the heading "8. Industrial machinery", sub-heading "A. Major items of specialised equipment used in specific industries", of the First Schedule to the Industries (Development and Regulation) Act, 1951. 65 of 1951.

(*4*) Boilers and steam generating plants, steam engines and turbines and internal combustion engines.

(*5*) Equipment for the generation and transmission of electricity including transformers, cables and transmission towers.

(*6*) Machine tools, precision tools (including cutting tools and small tools), dies and jigs.

(*7*) Tractors and earth-moving machinery.

(*8*) Steel castings and forgings and malleable iron and steel castings.

(*9*) Cement.

(*10*) Fertilisers, namely, ammonium sulphate, ammonium sulphate nitrate (double salt), ammonium nitrate, calcium ammonium nitrate (nitrolime stone), ammonium chloride, super phosphate, urea and complex fertilisers of synthetic origin containing both nitrogen and phosphorus, such as ammonium phosphates, ammonium sulphate phosphate and ammonium nitro phosphate.

(*11*) Paper and pulp.

(*12*) Electronic equipment, namely, radar equipment, computers, electronic accounting and business machines, electronic communication equipment, electronic control instruments and basic components, such as valves, transistors, resistors, condensors, coils, magnetic materials and micro wave components.

(*13*) Petrochemicals including corresponding products manufactured from other basic raw materials like calcium carbide, ethyl alcohol or hydrocarbons from other sources.

(*14*) Ships.

(15) Component parts of the articles mentioned in items Nos. (3), (4), (5) and (7), that is to say, such parts as are essential the working of the machinery referred to in the items aforesaid and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose and are in complete finished form and ready for fitment.'.

Voluntary disclosure of income.

68. (1) Where any person makes a declaration in accordance with sub-section (2) in respect of the amount representing income—

(a) which he has failed to disclose in a return of income for any assessment year filed by him before the 1st day of March 1965 under the Indian Income-tax Act, 1922 or the Income-tax Act, 1961, or

11 of 1922.
43 of 1961.

(b) which has escaped assessment for any assessment year for which an assessment has been made before the 1st day of March, 1965 under either of the said Acts, or

(c) for the assessment of which no proceeding under either of the said Acts has been taken before the 1st day of March, 1965,

he shall, notwithstanding anything contained in the said Acts, be charged income-tax at the rate specified in sub-section (3) in respect of the amount so declared if he,—

(i) either pays the amount of income-tax as computed at the said rate, or

(ii) furnishes adequate security for the payment thereof and undertakes to pay such income-tax within a period, not exceeding six months, from the date of the declaration as may be specified by him therein.

(2) The declaration shall be made to the Commissioner, and shall specify the period required to be specified under clause (ii) of sub-section (1), contain the name, address and signature of the person making the declaration and also full information in respect of the following matters, namely:—

(a) Whether he was assessed to income-tax or not and, if assessed, the name of the Income-tax Circle in which he was assessed.

(b) The amount of income declared, giving where available, details of the financial year or years in which the income was earned and the amount pertaining to each such year.

(c) Whether the amount declared is represented by cash (including bank deposits), bullion investments in shares, debts due

from other persons, commodities, or any other assets, and the name in which it is held and location thereof :

Provided that the declaration shall be of no effect unless it is made after the 28th day of February, 1965 and before the 1st day of June, 1965.

(3) The rate of income-tax chargeable in respect of the amount referred to in sub-section (1) shall be sixty per cent. of such amount:

Provided that if before the 1st day of April, 1965, the tax on the amount declared is paid by the declarant at the rate of fifty-seven per cent. of such amount, he shall not be liable to pay any further tax on such amount.

(4) A person shall not be considered to have furnished adequate security for the payment of the tax for the purposes of sub-section (1) unless the payment is guaranteed by a scheduled bank or the person makes an assignment, in favour of the President of India, of any security of the Central Government.

Explanation.—For the purposes of this sub-section, where an assignment of Government securities is made in favour of the President, the amount covered by such assignment shall be the market value of the securities on the date of the assignment.

(5) Any amount of income-tax paid in pursuance of a declaration made under this section shall not be refundable in any circumstances, and no person who has made the declaration shall be entitled, in respect of any amount so declared or any amount of tax so paid, to reopen any assessment or reassessment made under the Indian Income-tax Act, 1922, or the Income-tax Act, 1961, or the Excess Profits Tax Act, 1940, or the Business Profits Tax Act, 1947, or the Super Profits Tax Act, 1963, or the Companies (Profits) Surtax Act, 1964, or claim any set off or relief in any appeal, reference, revision or other proceeding in relation to any such assessment or reassessment.

11 of 1922.
43 of 1961.
15 of 1940.
21 of 1947.
14 of 1963.
7 of 1964.

(6) (*a*) Any amount declared by any person under this section in respect of which the tax referred to in sub-section (3) is paid shall not be included in his total income for any assessment under any of the Acts mentioned in sub-section (5) if he credits in the books of account, if any, maintained by him for any source of income or in any other record, the amount declared as reduced by the tax paid thereon under this section.

(*b*) A credit made under clause (*a*) shall be intimated to the Income-tax Officer.

(7) (*a*) The Commissioner shall grant a certificate to every person who has made a declaration under this section and paid the income-tax under this section.

(*b*) The certificate shall set forth the particulars of the amount stated in the declaration, the amount of income-tax paid in respect of the same and the date of payment.

(8) (*a*) All particulars contained in any declaration made under this section or record of any proceeding under this section shall be treated as confidential and, notwithstanding anything contained in any law for the time being in force, no court shall be entitled to require any public servant to produce before it any such declaration or record or any part thereof or to give evidence before it in respect thereof.

(*b*) No public servant shall disclose any particulars contained in any such declaration or record except to any officer employed in the execution of any of the Acts mentioned in sub-section (5) or to any officer appointed by the Comptroller and Auditor-General of India or the Board to audit income-tax receipts or refunds.

(9) Any payment of income-tax under this section shall be made by depositing the amount to the credit of the Central Government at a Government treasury or sub-treasury, or at any branch of the Reserve Bank of India, or at any branch of the State Bank of India or at any of its agencies conducting Government treasury business.

(10) In this section,—

(*i*) "Board" means the Central Board of Direct Taxes constituted under the Central Boards of Revenue Act, 1963; 54 of 1963.

(*ii*) "Commissioner" means the Commissioner of Income-tax appointed under the Income-tax Act, 1961 having for the time being jurisdiction for the purposes of that Act over the person who makes a declaration under this section. 43 of 1961.

69. In the Estate Duty Act, 1953,— Amendment of Act 34 of 1953.

(*i*) in section 9, in sub-section (*1*), for the words "two years", the words "one year" shall be substituted;

(*ii*) in section 10,—

(*a*) in the proviso, for the words "two years", the words "one year" shall be substituted;

(*b*) after the proviso, the following proviso shall be inserted, namely :—

"Provided further that a house or part thereof taken under any gift made to the spouse, son, daughter,

brother or sister, shall not be deemed to pass on the donor's death by reason only of the residence therein of the donor except where a right of residence therein is reserved or secured directly or indirectly to the donor under the relevant disposition or under any collateral disposition.";

(*iii*) in sub-section (*2*) of section 11,—

(*a*) for the words "two years", wherever they occur, the words "one year" shall be substituted;

(*b*) after the first proviso, the following proviso shall be inserted, namely:—

"Provided further that where the disposition or determination of an interest limited to cease on the death in a house or part thereof was effected or suffered in favour of the spouse, son, daughter, brother or sister, then, the disposition or determination shall, notwithstanding the residence therein of the person who immediately before the disposition or determination had the interest, be deemed to be excepted by this sub-section save where a right of residence therein is reserved or secured directly or indirectly to such person under the relevant disposition or under any collateral disposition.";

(*iv*) in sub-section (*1*) of section 12,—

(*a*) in the proviso, for the words "two years", the words "one year" shall be substituted;

(*b*) after the proviso and before the *Explanation*, the following proviso shall be inserted, namely:—

"Provided further that a house or part thereof comprised in such settlement made in favour of the spouse, son, daughter, brother or sister, shall not be deemed to pass on the settlor's death by reason only of the residence therein of the settlor except where a right of residence is reserved or secured directly or indirectly to the settlor under the settlement or under any collateral disposition.";

(*v*) in section 22,—

(*a*) for the words "two years", the words "one year" shall be substituted;

(*b*) for the proviso, the following proviso shall be substituted, namely:—

"Provided that a house or part thereof held by the deceased as trustee for another person under a disposi-

tion made by him in favour of the spouse, son, daughter, brother or sister, shall not be deemed to be included in the property passing on the death of the deceased by reason only of the residence therein of the deceased except where a right of residence therein is reserved or secured directly or indirectly to the deceased under the relevant disposition or under any collateral disposition.";

(*vi*) after section 29, the following section shall be inserted, namely:—

"29A. Estate duty shall not be payable in respect of— Exemption of pensions, etc., in certain cases.

(*a*) any pension accruing or arising on the death of the deceased to his widow or other dependents under the revised Pension Rules of the Central Government or under any similar scheme of a State Government, a local authority or a corporation established by a Central, State or Provincial Act, or under the New Pension Code applicable to the members of the Defence Services; or

(*b*) any annuity or pension payable to such widow or dependents from—

(*i*) a superannuation fund approved under the Indian Income-tax Act, 1922, or the Income-tax Act, 1961, to the extent to which the amount of such annuity or pension does not exceed the equivalent of fifteen thousand rupees per annum, or

11 of 1922.
43 of 1961.

(*ii*) a superannuation or pension fund established by such international organisations as the Central Government may, by notification in the Official Gazette, specify in this behalf.";

(*vii*) in section 33, in sub-section (*1*),—

(*a*) in clause (*b*), for the words "two years", the words "one year" shall be substituted;

(*b*) after clause (*n*), the following clause shall be inserted, namely:—

"(*o*) property taken under any gift made by the deceased to the spouse, son, daughter, brother or sister, beyond a period of five years before his death:

Provided that the property is either chargeable to gift-tax under the Gift-tax Act, 1958, or is not chargeable under section 5 of that Act, for any assessment year commencing after the 31st day of March, 1964;";

18 of 1958.

(*viii*) in section 34, in clause (*a*) of sub-section (*1*), for the word, brackets and letter "and (*n*)", the brackets, letters and word "(*n*) and (*o*)" shall be substituted;

(*ix*) in section 46, in sub-section (*2*), for the words "two years", the words "one year" shall be substituted.

Amendment of Act 27 of 1957.

70. In the Wealth-tax Act, 1957,—

(*i*) in sub-section (*1*) of section 5, after clause (*xix*), the following clause shall be inserted, namely:—

"(*xx*) the value of any equity shares subscribed and paid for by the assessee where such shares form part of the initial issue of equity share capital made after the 28th day of February, 1965 by a company of the type referred to in clause (*d*) of section 45, for a period of five successive assessment years commencing with the assessment year next following the date of such issue;";

(*ii*) for Part I of the Schedule, the following Part shall be substituted, namely:—

'PART I

Paragraph A

(*a*) In the case of every individual:—

	Rate of tax
(*i*) on the first rupees one lakh of net wealth ...	*Nil*
(*ii*) on the next rupees four lakhs of net wealth ..	0·5%
(*iii*) on the next rupees five lakhs of net wealth ..	1·0%
(*iv*) on the next rupees ten lakhs of net wealth ..	2·0%
(*v*) on the balance of net wealth ...	2·5%

(*b*) In the case of every Hindu undivided family:—

(*i*) on the first rupees two lakhs of net wealth ..	*Nil*
(*ii*) on the next rupees three lakhs of net wealth ...	0·5%
(*iii*) on the next rupees five lakhs of net wealth ..	1·0%
(*iv*) on the next rupees ten lakhs of net wealth ..	2·0%
(*v*) on the balance of net wealth ..	2·5%

(*c*) In addition, in the case of every individual and Hindu undivided family, where the net wealth of the individual or Hindu undivided family includes the value of any asset, being building or land (other than business premises), or any right in such building or land, situated in any area falling in Category A or Category B or Category C or Category D specified in rule 2 of Paragraph B, tax at the following rate or rates computed with reference to the value of such assets determined in accordance with rule 1 of the said Paragraph B :—

(*i*) where the total value of such assets as determined under Paragraph B does not exceed rupees two lakhs	*Nil.*
(*ii*) where the total value of such assets as determined under Paragraph B exceeds rupees two lakhs but does not exceed rupees seven lakhs . . .	1% of the amount by which the total value of such assets as so determined exceeds rupees two lakhs.
(*iii*) where the total value of such assets as determined under Paragraph B exceeds rupees seven lakhs but does not exceed rupees twelve lakhs . . .	Rs. 5,000 *plus* 2% of the amount by which the total value of such assets as so determined exceeds rupees seven lakhs.
(*iv*) where the total value of such assets as determined under Paragraph B exceeds rupees twelve lakhs but does not exceed rupees seventeen lakhs . . .	Rs. 15,000 *plus* 3% of the amount by which the total value of such assets as so determined exceeds rupees twelve lakhs.
(*v*) where the total value of such assets as determined under Paragraph B exceeds rupees seventeen lakhs	Rs. 30,000 *plus* 4% of the amount by which the total value of such assets as so determined exceeds rupees seventeen lakhs.

Explanation.—For the purposes of this Part "business premises" means any building or land or part of such building or land, or any right in building or land or part thereof, owned by the assessee and used throughout the previous year for the purposes of his business or profession, and includes any building used for the purpose of residence of persons employed in the business or any building used for the welfare of such persons as a hospital, creche, school, canteen, library, recreational centre, shelter, rest-room or lunch-room.

Paragraph B

Rule 1.—The total value of assets for the purposes of clause (c) of Paragraph A shall be determined as being the aggregate amount by which the value of such assets, included in the net wealth of the individual or Hindu undivided family, which are situated in any

area falling in the category specified in column 1 hereunder exceeds the amount specified there against in column 2 :—

Category of area (1)	Amount (2)
A	Rs. 5,00,000
B	The amount by which the value of such assets situated in any area falling in Category A falls short of Rs. 5,00,000, or an amount of Rs. 4,00,000, whichever is less.
C	The amount by which the aggregate of the value of such assets situated in any area falling in Category A or Category B falls short of Rs. 5,00,000, or in a case where there is no such asset situated in an area falling in Category A, the amount by which the value of such assets situated in any area falling in Category B falls short of Rs. 4,00,000, or an amount of Rs. 3,00,000, whichever is less.
D	The amount by which the aggregate of the value of such assets situated in any area falling in Category A or Category B or Category C falls short of Rs. 5,00,000, or, in a case where there is no such asset situated in an area falling in Category A, the amount by which the aggregate of the value of such assets situated in any area falling in Category B or Category C falls short of Rs. 4,00,000, or, in a case where there is no such asset situated in an area falling in Category A or Category B, the amount by which the value of such assets situated in any area falling in Category C falls short of Rs. 3,00,000, or an amount of Rs. 2,00,000, whichever is less.

Rule 2.—For the purposes of this Part, all cities and towns in India, the population of which, including the population of the contiguous municipalities and cantonments according to the census held in the year 1961—

(i) exceeds sixteen lakhs shall be treated as falling in Category A;

(*ii*) exceeds eight lakhs but does not exceed sixteen lakhs shall be treated as falling in Category B;

(*iii*) exceeds four lakhs but does not exceed eight lakhs shall be treated as falling in Category C; and

(*iv*) exceeds one lakh but does not exceed four lakhs shall be treated as falling in Category D.'.

Amendment of Act 18 of 1958.

71. In the Gift-tax Act, 1958,—

(*i*) in section 5, in sub-section (*1*), after clause (*v*), the following clause shall be inserted, namely:—

"(*va*) (*i*) to such temple, mosque, gurdwara, church or other place as has been notified by the Central Government for the purposes of sub-section (*6*) of section 88 of the Income-tax Act, 1961; or

43 of 1961.

(*ii*) by way of settlement on trust, of property the income from which, according to the deed of settlement, is to be used exclusively in connection with the temple, mosque, gurdwara, church or other place specified therein and notified as aforesaid;";

(*ii*) in Chapter IV, after section 18, the following section shall be inserted, namely:—

Credit for stamp duty paid on instrument of gift.

"18A. Where any stamp duty has been paid under any law relating to stamp duty in force in any State on an instrument of gift of property in respect of which the gift-tax payable exceeds one thousand rupees, the assessee shall be entitled to a deduction from the gift-tax payable by him of an amount equal to the stamp duty so paid or one-half of the sum by which the gift-tax payable, before making the deduction under this section, exceeds one thousand rupees, whichever is less.".

Amendment of Act 63 of 1960.

72. In the Preference Shares (Regulation of Dividends) Act, 1960,—

(*i*) in section 2,—

(*a*) in clause (*b*), for the words, brackets, figures and letters "clause (*7A*) of section 2 of the Indian Income-tax Act, 1922 and includes a company referred to in sub-clause (*ii*) of clause (*5A*)", the following shall be substituted, namely:—

11 of 1922.

43 of 1961.

"clause (*26*) of section 2 of the Income-tax Act, 1961 and includes a company referred to in sub-clause (*ii*) of clause (*17*)";

(*b*) in clause (*c*), the words, figures and letters "having been issued and subscribed for before the 1st day of April, 1960" shall be omitted;

(c) in clause (d), for the words and figures "Indian Income-tax Act, 1922", the words and figures "Income-tax Act, 1961" shall be substituted; 11 of 1922. 43 of 1961.

(ii) in section 3,—

(a) in sub-section (1) and in sub-section (3), after the words "preference share of a company", the words, figures and letters "issued and subscribed for before the 1st April, 1960" shall be inserted;

(b) in sub-section (2), after the words, figures and letters "after the 31st March, 1959", the words, figures and letters "and before the 1st April, 1960" shall be inserted;

(c) in sub-section (4), after the words "preference share", the words, figures and letters "isuued and subscribed for before the 1st April, 1960" shall be inserted;

(d) in sub-section (6),—

(i) after the words "in this section", the words, figure and letter "and section 4A" shall be inserted;

(ii) for the words, brackets, figures and letter "sub-section (3D) of section 18 of the Indian Income-tax Act, 1922", the words and figures "section 194 of the Income-tax Act, 1961" shall be substituted; 11 of 1922. 43 of 1961.

(iii) in section 4,—

(a) for the words "Where any preference share has been issued by a company any portion of the profits and gains of which", the following shall be substituted, namely:—

"Where any preference share of a company has been issued and subscribed for before the 1st April, 1960, and any portion of the profits and gains of the company";

(b) for the words and figures "Indian Income-tax Act, 1922", the words and figures "Income-tax Act, 1961" shall be substituted; 11 of 1922. 43 of 1961.

(iv) after section 4, the following section shall be inserted, namely:—

Deduction of income-tax.

"4A. Where the stipulated dividend in respect of a preference share of a company—

(a) is specified to be subject to income-tax and a deduction is made therefrom on account of the income-tax payable by the company, or

(b) is being paid subject to a deduction therefrom on account of the income-tax payable by the company, not-

withstanding the absence of any specification that the dividend would be subject to income-tax,

such deduction shall in no case exceed twenty-five per cent. of the stipulated dividend.";

(*v*) in section 6, for the words "this Act", the words and figures "section 3 or section 4" shall be substituted.

Amendment of Act 52 of 1963.

73. In section 32 of the Unit Trust Act, 1963,—

(*i*) in sub-section (*1*), for clause (*b*), the following clause shall be substituted, namely:—

'(*b*) where in the case of a unit holder, being an individual, the total income for any previous year as computed under the Income-tax Act, 1961 before including therein the amount of qualifying dividend—

43 of 1961.

(*i*) does not exceed a sum of twenty thousand rupees, the qualifying dividend shall not be included in computing the total income of the unit holder for that year;

(*ii*) exceeds a sum of twenty thousand rupees, the qualifying dividend shall be included in computing the total income of the unit holder for that year, but he shall be entitled to a deduction from the amount of income-tax payable by him of a sum calculated at the rate of twenty-five per cent. on such qualifying dividend.

Explanation.—In this section, "qualifying dividend" means, where the income received by a unit holder from the Trust in respect of units does not exceed one thousand rupees, such income, and where such income exceeds one thousand rupees, a sum of one thousand rupees.';

(*ii*) in sub-section (*2*),—

(*a*) in clause (*a*), the word "and" shall be omitted;

(*b*) in clause (*b*), after the word "individual", the words "who is resident; and" shall be inserted;

(*c*) after clause (*b*), the following clause shall be inserted, namely:—

"(*c*) deduction of income-tax shall be made by the Trust from the income distributed by it to a unit holder being an individual who is not resident in India at the rate of fifteen per cent. of such income.".

Amendment of Act 7 of 1964.

74. In the Companies (Profits) Surtax Act, 1964,—

(*i*) in section 18, the words "and super-tax" shall be omitted;

(*ii*) in the First Schedule,—

(*a*) in clause (*xii*) of rule 1, the words "and super-tax" shall be omitted;

(*b*) in clause (*i*) of rule 2, the words "and super-tax", wherever they occur, shall be omitted, and for the word "super-tax" occurring in sub-clause (*b*), the word "income-tax" shall be substituted;

(*iii*) in the Third Schedule,—

(*a*) in Paragraph 1,—

(*i*) in the first proviso, for the words "of manufacture or production of any one or more of the articles", the words "of construction, manufacture or production of any one or more of the articles or things" shall be substituted;

(*ii*) in the second proviso, for the words "of manufacture or production of any article", the words "of construction, manufacture or production of any article or thing" shall be substituted;

(*iii*) after the second proviso, the following proviso shall be inserted, namely:—

"Provided further that where in the case of an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India—

(*i*) which is such a company as is referred to in section 108 of the Income-tax Act, and

(*ii*) whose paid up share capital (subscribed and paid for in cash) as on the last day of the previous year, is not less than twenty-five per cent. of the amount of the capital as computed under the Second Schedule to this Act,

the aggregate of—

(*a*) the amount of income-tax payable by the company in respect of its total income of the previous year under the provisions of the Income-tax Act after making allowance for any relief, rebate or deduction in respect of

income-tax to which the company is entitled under the provisions of the said Act or the annual Finance Act after deducting from such amount of income-tax the amount, if any, by which the rebate of income-tax admissible to the company under the provisions of the annual Finance Act is, under the provisions of the said Act, reduced with reference to the face value of any bonus shares or the amount of any bonus issued by the company to its shareholders during the previous year or any previous year prior to that year; and

(*b*) the amount of surtax computed in accordance with the foregoing provisions of this Paragraph,

exceeds the amount calculated at seventy per cent. of the total income of the company, the amount of such excess shall be deducted from the amount of surtax referred to in clause (*b*) above and the balance shall be the amount of the surtax payable by the company.";

(*b*) for Paragraph 2, the following Paragraph shall be substituted, namely:—

'2. The list of articles and things referred to in Paragraph 1 shall be as follows:—

(1) Iron and steel (metal), ferro-alloys and special steels.

(2) Aluminium, copper, lead and zinc (metals)

(3) Coal, lignite, iron ore, bauxite, manganese ore, dolomite, limestone, magnesite and mineral oil.

(4) Industrial machinery specified under the heading "8. Industrial machinery", sub-heading "A. Major items of specialised equipment used in specific industries", of the First Schedule to the Industries (Development and Regulation) Act, 1951. 65 of 1951.

(5) Boilers and steam generating plants, steam engines and turbines and internal combustion engines.

(6) Flame and drip proof motors.

(7) Equipment for the generation and transmission of electricity including transformers, cables and transmission towers.

(8) Machine tools, precision tools (including cutting tools and small tools), dies and jigs.

(9) Tractors and earth-moving machinery.

(10) Steel castings and forgings and malleable iron and steel castings.

(11) Cement and refractories.

(12) Fertilisers, namely, ammonium sulphate, ammonium sulphate nitrate (double salt), ammonium nitrate, calcium ammonium nitrate (nitrolime stone), ammonium chloride, super phosphate, urea and complex fertilisers of synthetic origin containing both nitrogen and phosphorous, such as ammonium phosphates, ammonium sulphate phosphate and ammonium nitro phosphate.

(13) Paper and pulp.

(14) Tea.

(15) Electronic equipment, namely, radar equipment, computers, electronic accounting and business machines, electronic communication equipment, electronic control instruments and basic components, such as valves, transistors, resistors, condensors, coils, magnetic materials and micro wave components.

(16) Petrochemicals including corresponding products manufactured from other basic raw materials like calcium carbide, ethyl alcohol or hydrocarbons from other sources.

(17) Ships.

(18) Component parts of the articles mentioned in items Nos. (4), (5), (7) and (9), that is to say, such parts as are essential for the working of the machinery referred to in the items aforesaid and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose and are in complete finished form and ready for fitment.'.

Amendment of Act 32 of 1934.

75. The Indian Tariff Act, 1934 (hereinafter referred to as the Tariff Act) shall be amended in the manner specified in the Third Schedule.

Surcharge on duties of customs.

76. (*1*) In the case of goods chargeable with a duty of customs which is specified in the First Schedule to the Tariff Act as amended by this Act or any subsequent Act of Parliament, or in that Schedule **read with** any notification of the Central Government **for** the time

being in force, there shall be levied and collected as an addition to, and in the same manner as, the total amount so chargeable, a sum equal to 10 per cent. of such amount:

Provided that in computing the total amount so chargeable, any duty chargeable under section 2A of the Tariff Act or section 77 of this Act shall not be included.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1966 except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897.

Regulatory duty of customs.

77. (1) With a view to regulating, or bringing greater economy in, imports there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Tariff Act as amended by this Act or any subsequent Act of Parliament, a regulatory duty of customs not exceeding—

(a) 25 per cent. of the rate, if any, specified in the said First Schedule read with any notification issued under section 3A or sub-section (1) of section 4 of the Tariff Act; or

(b) 10 per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962,

52 of 1962.

whichever is higher:

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall cease to have effect after the 15th day of May, 1966 except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897.

(3) The regulatory duty of customs leviable under this section in respect of any goods referred to in sub-section (1) shall be in addition to any other duty of customs chargeable on such goods under the Customs Act, 1962.

52 of 1962.

52 of 1962.

(4) The provisions of the Customs Act, 1962 and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duty of customs leviable

under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations.

(5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.

(6) All regulatory duties of customs levied under sub-section (1) of section 58 of the Finance Act, 1964, shall, subject to any notification issued under section 25 of the Customs Act, 1962 read with sub-section (4) of the said section 58, continue to have effect until the other provisions of this section come into force.

5 of 1964.
52 of 1962.

Amendment of Act 1 of 1949.

78. In the Indian Tariff (Amendment) Act, 1949, in sections 4 and 5, for the figures "1965", the figures "1966" shall be substituted.

Amendment of Act 1 of 1944.

79. In the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), in the First Schedule,—

(a) in Item No. 4, under "*II. Manufactured tobacco*—", for sub-item (2), the following sub-item shall be substituted, namely:—

"(2) Cigarettes .. One hundred per cent. *ad valorem.*";

(b) in Item No. 26, for the entry in the third column, the entry "Sixty rupees per metric tonne." shall be substituted;

(c) in Item No. 26A, for the entries in the third column against sub-items (1) and (2), the entries "One thousand rupees per metric tonne." and "One thousand and five hundred rupees per metric tonne." shall, respectively, be substituted;

(d) in Item No. 26AA,—

(i) for the entry in the third column against each of the sub-items (i) and (ia), the entry "Forty-five rupees per metric tonne *plus* the excise duty for the time being leviable on steel ingots." shall be substituted;

(ii) for sub-items (ii) and (iii), the following sub-items shall be substituted, namely:—

"(ii) Plates and sheets (including uncoated plates and sheets intended for tinning and forms such as ridges, channels, rain water pipes and their fittings made from plates or sheets, but not including plates and sheets after tinning), and hoops, all sorts, other than skelp and strips.	Three hundred rupees per metric tonne *plus* the excise duty for the time being leviable on steel ingots.
(iii) Skelp and strips .	Three hundred rupees per metric tonne *plus* the

		excise duty for the time being leviable on steel ingots." ;

(*e*) in Item No. 27,—

(*i*)	for the entry in the second column against sub-item (*b*), the entry "Manufactures, the following, namely, plates, sheets, circles and strips in any form or size, not otherwise specified." shall be substituted ;	
(*ii*)	for the entry in the second column against sub-item (*c*), the entry "Pipes and tubes, other than extruded pipes and tubes." shall be substituted ;	
(*iii*)	after sub-item (*c*), the following sub-item shall be inserted, namely :—	
	"(*d*) Extruded shapes and sections including extruded pipes and tubes.	Ten per cent. *ad valorem*." ;

(*f*) in Item No. 28, for the entry in the third column, the entry "Three hundred and seventy-five rupees per metric tonne." shall be substituted.

Special duty of excise on certain goods.

80. (*1*) When goods of the description mentioned in this section chargeable with a duty of excise under the Central Excises Act (as amended by this Act or any subsequent Act of Parliament) read with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable, are assessed to duty, there shall be levied and collected—

(*a*) as respects goods comprised in Items Nos. 6, 8, 9, 14D, 22A, 23A except sub-item (1) thereof, 23B, 28, 29, sub-items (2) and (3) of Item No. 31 and Item No. 32 of the First Schedule to the Central Excises Act, a special duty of excise equal to 10 per cent. of the total amount so chargeable on such goods;

(*b*) as respects goods comprised in Items Nos. 2, 3(1), sub-items I, II(2) and II(3) of Item No. 4, Items Nos. 13, 14, 14F, 15, 15A, 15B, 16, 16A, 17, 18A(2), 21, 22, 23, 23A(1), 27, 30, 31(1), 33, sub-items (1), (3a) and (4) of Item No. 34 and Item No. 37 of that Schedule, a special duty of excise equal to 20 per cent. of the total amount so chargeable on such goods; and

(*c*) as respects goods comprised in Items Nos. 4II(1), 18, 18A(1), 18B, 20, 29A, 33A, sub-items (2) and (3) of Item No. 34 and radiograms comprised in Item No. 37A of that Schedule, a special duty of excise equal to $33\frac{1}{3}$ per cent. of the total amount so chargeable on such goods.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1966, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act. 10 of 1897.

(3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such special duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the duty of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.

Regulatory duty of excise.

81. (1) With a view to regulating or bringing greater economy in consumption, there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Central Excises Act as amended by this Act or any subsequent Act of Parliament, a regulatory duty of excise which shall not exceed 15 per cent. of the value of the goods as determined in accordance with the provisions of section 4 of the Central Excises Act:

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall cease to have effect after the 15th day of May, 1966, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act. 10 of 1897.

(3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such regulatory duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and

collection of the regulatory duty of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.

(5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.

(6) All regulatory duties of excise levied under sub-section (1) of section 62 of the Finance Act, 1964, shall, subject to any notification issued under rule 8 of the Central Excise Rules, 1944, read with sub-section (4) of the said section, continue to have effect until the other provisions of this section come into force.

5 of 1964.

Discontinuance of salt duty.

82. For the year beginning on the 1st day of April, 1965, no duty under the Central Excises Act, or the Tariff Act shall be levied in respect of salt manufactured in, or imported into, India.

Amendment of Act 58 of 1957.

83. In the First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957, in Item No. 4, under "II. Manufactured tobacco", for sub-item (2), the following sub-item shall be substituted, namely:—

"(2) Cigarettes .. Twenty-five per cent. *ad valorem*".

Declaration under the Provisional Collection of Taxes Act, 1931

It is hereby declared that it is expedient in the public interest that the provisions of clauses 75, 76, 77(6), 78, 79, 80, 81(6) and 83 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931.

16 of 1931.

THE FIRST SCHEDULE

(*See* section 2)

PART I

Income-tax and surcharge on income-tax

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income.
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000.
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000.
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000.
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000.
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000.
(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 6,000 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000.
(8) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 16,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 50,000.
(9) where the total income exceeds Rs. 70,000	Rs. 28,000 *plus* 65 per cent. of the amount by which the total income exceeds Rs. 70,000:

Provided that for the purposes of this Paragraph, in the case of a person, not being a non-resident—

(*i*) no income-tax shall be payable on a total income not exceeding the following limit, namely:—

(*a*) Rs. 6,000 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following two conditions, namely:—

(*i*) that it has at least two members entitled to claim partition who are not less than eighteen years of age; or

(*ii*) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

(*b*) Rs. 3,000 in every other case;

(*ii*) in the case of an individual or a Hindu undivided family, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed:—

(a)	Rs. 100	in the case of an unmarried individual;
(b)	Rs. 175	in the case of a married individual who has no child wholly or mainly dependent on him or a Hindu undivided family which has no minor coparcener;
(c)	Rs. 195	in the case of a married individual who has one child wholly or mainly dependent on him or a Hindu undivided family which has one minor coparcener wholly or mainly supported from the income of such family;
(d)	Rs. 215	in the case of a married individual who has more than one child wholly or mainly dependent on him or a Hindu undivided family which has more than one minor coparcener wholly or mainly supported from the income of such family;

(*iii*) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds the limit specified in sub-clause (*a*) or, as the case may be, sub-clause (*b*) of clause (*i*) of this proviso.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union, which shall be equal to the aggregate of the sums computed as hereunder:—

(*a*) where—

(*i*) in the case of an individual or a Hindu undivided family, the amount of unearned income, not being income by way of interest on any security of the Central or State Government, included in the total income, or

(*ii*) in any other case, the amount of unearned income included in the total income

exceeds Rs. 15,000,

a sum calculated on the difference between the amount of income-tax computed in respect of the income referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*), if such income had been the total income and the amount of income-tax computed in respect of an income of Rs. 15,000 if it had been the total income, at the following rate, namely:—

(1) where the amount of the difference does not exceed Rs. 14,500	20 per cent. of the amount of such difference.
(2) where the amount of the difference exceeds Rs. 14,500	Rs. 2,900 *plus* 25 per cent. of the amount by which the difference aforesaid exceeds Rs. 14,500.

(*b*) where—

(*i*) in the case of an individual or a Hindu undivided family, the earned income and income by way of interest on any security of the Central or State Government included in the total income, or

(*ii*) in any other case, the earned income included in the total income

exceeds Rs. 1 lakh,

a sum calculated on the amount of the difference between the income-tax computed in respect of the income referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*), if such income had been the total income and the income-tax computed in respect of a total income of Rs. 1 lakh, at the following rate, namely:—

(1) where the amount of the difference does not exceed Rs. 65,000	5 per cent. of the amount of such difference.

(2) where the amount of the difference exceeds Rs. 65,000 but does not exceed Rs. 1,30,000	Rs. 3,250 *plus* 10 per cent. of the amount by which the difference aforesaid exceeds Rs. 65,000.
(3) where the amount of the difference exceeds Rs. 1,30,000	Rs. 9,750 *plus* 15 per cent. of the amount by which the difference aforesaid exceeds Rs. 1,30,000.

Paragraph B

In the case of every association of persons being a co-operative society as defined in clause (*19*) of section 2 of the Income-tax Act,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income.
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000.
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000.
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000.
(5) where the total income exceeds Rs. 20,000 but does no exceed Rs. 25,000	Rs. 2,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 20,000.
(6) where the total income exceeds Rs. 25,000	Rs. 3,750 *plus* 41 per cent. of the amount by which the total income exceeds Rs. 25,000.

Surcharge on income-tax

Where the total income exceeds Rs. 25,000, the amount of income-tax on such total income computed at the rates hereinbefore specified shall be increased by a surcharge for purposes of the Union of 6¼ per cent. of the amount of the difference between the income-tax so computed and the income-tax computed in respect of a total income of Rs. 25,000.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

(1) where the total income does not exceed Rs. 25,000	*Nil.*

(2) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	6 per cent. of the amount by which the total income exceeds Rs. 25,000.
(3) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 1,500 *plus* 8 per cent. of the amount by which the total income exceeds Rs. 50,000.
(4) where the total income exceeds Rs. 1,00,000	Rs. 5,500 *plus* 12 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed at the rates hereinbefore specified shall be increased by a surcharge for purposes of the Union of twenty per cent. of the amount of income-tax:

Provided that in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, the amount of surcharge for purposes of the Union computed at the rate hereinbefore specified shall be reduced by one-half of such amount.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income .. 45 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union of ten per cent. of the amount of income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rate of income-tax

On the whole of its profits and gains from life insurance business .. 47·5 per cent.

Paragraph F

In the case of every company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956.— 31 of 1956.

Rate of income-tax

On the whole of the total income .. 80 per cent.:

Provided that a rebate shall be allowed in the case of such companies on such income at such rate or rates as are specified hereunder:—

5		Income on which rebate is to be allowed	Rate of rebate
	I. In the case of company which—		
10	(*a*) in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1965, has made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such income in accordance with the provisions of section 194 of that Act : and		
25	(*b*) is such a company as is referred to in section 108 of the Income-tax Act,—		
30	(*i*) where the total income does not exceed Rs. 25,000	on the whole of the total income.	37·5 per cent.
35	(*ii*) where the total income exceeds Rs. 25,000.	(*a*) on so much of the total income as consists of profits and gains attributable to the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in Part III of this Schedule . .	35 per cent.

	Income on which rebate is to be allowed	Rate of rebate
	(*b*) on the balance of the total income .	30 per cent.
II. In the case of a company which—		
(*a*) satisfies condition (*a*) of item I hereinabove, and		
(*b*) is not such a company as is referred to in section 108 of the Income-tax Act,—		
(*i*) in the case of a company which is wholly or mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining	(*a*) on so much of the total income as consists of profits and gains attributable to the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in Part III of this Schedule—	
	[(*i*) on so much of the profits and gains aforesaid as do not exceed Rs. 10 lakhs	35 per cent.
	[(*ii*) on the balance of the profits and gains aforesaid .	26 per cent.
	(*b*) on any income other than the profits and gains referred to in (*a*) hereinabove—	
	(*i*) on so much of such income as, together with the profits and gains referred to in (*a*) hereinabove, does not exceed Rs. 10 lakhs	30 per cent.
	(*ii*) on the balance of such income .	20 per cent.

		Income on which rebate is to be allowed	Rate of rebate
	(*ii*) in any other case	(*a*) on so much of the total income as consists of profits and gains attributable to the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in Part III of this Schedule¹	26 per cent.
		(*b*) on the balance of the total income	20 per cent.
III.	In the case of a company which in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1965, has not made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such income in accordance with the provisions of section 194 of that Act	(*a*) on so much of the total income as consists of royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern on or after the 1st day of April, 1961 and which has been approved by the Central Government	30 per cent.
		(*b*) on so much of the total income as consists of fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 and which has been approved by the Central Government.	30 per cent.
		(*c*) on the balance of the total income	15 per cent.:

Provided further that—

(*i*) the amount of rebate arrived at under the preceding proviso in the case of a company referred to in item I or item II of that proviso shall be reduced by the sum, if any, equal to the amount or the aggregate of the amounts, as the case may be, computed as hereunder:—

(*a*) on the aggregate of the sums computed in the manner provided in clause (*i*) of the second proviso to Paragraph D of Part II of the First Schedule to the Finance Act, 1964 as reduced by the amount, if any, which is deemed to have been taken into account, in accordance with clause (*ii*) of the said proviso, for the purpose of reducing the rebate mentioned in clause (*i*) of the said proviso to nil ;	at the rate of 100 per cent.
(*b*) on the amount representing the face value of any bonus shares or the amount of any bonus issued to its shareholders during the previous year with a view to increasing the paid-up capital except where such bonus shares or bonus have been issued wholly out of the share premium account of the company after the 31st day of March, 1964 ;	at the rate of 12·5 per cent.
and	
(*c*) in addition, in the case of—	
(*i*) a company as is referred to in section 108 of the Income-tax Act, or	
(*ii*) a company as is referred to in clause (*iii*) of sub-section (2) or sub-section (4) of section 104 of the said Act, or	
(*iii*) such a company as is exempt from the operation of section 104 of the said Act by a notification issued under the provisions of sub-section (3) of that section,	
which has declared or distributed to its shareholders during the previous year any dividends other than dividends on preference shares—	
(A) in the case of a company which since the date of the commencement of its activities has declared or distributed any dividends for the first time during the previous year or any one of the four previous years immediately preceding such previous year—	
on that part of the dividends other than dividends on preference shares which exceeds ten per cent. of the paid-up equity capital	at the rate of 7·5 per cent.

5 of 1964.

(B) in any other case—

on the whole amount of the dividends other than dividends on preference shares	at the rate of 7·5 per cent. ;

(*ii*) where the sum arrived at in accordance with clause (*i*) of this proviso exceeds the amount of the rebate arrived at under the preceding proviso, only so much of the amounts of reduction mentioned in sub-clauses (*a*), (*b*) and (*c*) of clause (*i*) of this proviso as is sufficient, in that order, to reduce the rebate to *nil* shall be deemed to have been taken into account for the purpose:

Provided further that the income-tax payable by a company, as is referred to in section 108 of the Income-tax Act, and the total income of which exceeds Rs. 25,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 25,000 (the income of Rs. 25,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) eighty per cent. of the amount by which its total income exceeds Rs. 25,000.

Explanation 1.—For the purposes of this Paragraph, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any of the aforesaid activities included in its total income for the previous year is not less than fifty-one per cent. of such total income.

Explanation 2.—For the purposes of this Paragraph, where a part of the income of a company is not included in its total income because it is agricultural income, the amount declared or distributed as dividends (other than dividends on preference shares), the amount representing the face value of any bonus shares and the amount of any bonus issued to its shareholders shall each be deemed to be such proportion thereof as the sum specified in clause (*a*) bears to the sum specified in clause (*b*), such sums being—

(*a*) the average amount of the total income of the company in the five previous years in which it has been in receipt of taxable income immediately preceding the relevant previous year; and

(*b*) the average amount of the total profits and gains (excluding capital receipts) of the company for the five previous years referred to in clause (*a*) reduced by such allowances as may be admissible under the Income-tax Act but which have not been taken into account by the company in its profit and loss accounts for the said five previous years.

Explanation 3.—For the purpose of sub-clause (*b*) of clause (*i*) of the second proviso, "share premium account" means an account forming a separate and identifiable part of the reserves of a company to which has been transferred a sum equal to the aggregate amount or value of the premiums on shares issued by the company.

Explanation 4.—For the removal of doubts it is hereby declared that where any dividends were declared by the company before the commencement of the previous year and are distributed by it during that year, no reduction in the rebate shall be made under sub-clause (c) of clause (*i*) of the second proviso in respect of such dividends.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193 to 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction, at the following rates:—

	Income-tax	
	Rate of income-tax	Rate of surcharge
1. In the case of a person other than a company—		
(*a*) where the person is resident—		
on the whole income (excluding interest payable on any security of the Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government);	18 per cent.	2 per cent.

	Income-tax	
	Rate of income-tax	Rate of surcharge
(*b*) where the person is not resident in India—		
(*i*) on the whole income (excluding interest payable on any security of the Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government) ;	Income-tax at 25 per cent. and surcharge at 5 per cent. of the amount of the income *or* income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Paragraph A of Part I of this Schedule, if such income had been the total income, whichever is higher.	
(*ii*) on the income from interest payable on any security of the Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government	12·5 per cent.	2·5 per cent.
2. In the case of a company—		
(*a*) where the company is either an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India,—		
on the whole income (excluding interest payable on any security of the Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government) ;	20 per cent.	*Nil.*

	Income-tax	
	Rate of income-tax	Rate of surcgarge
(*b*) where the company is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India,—		
(*i*) on the income from dividends payable by an Indian company which is not such a company as is referred to in section 108 of the Income-tax Act and which is wholly or mainly engaged in the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in Part III of the Schedule ;	15 per cent.	*Nil.*
(*ii*) on the income from dividends payable by any other Indian company or any company which has made the prescribed arrangements for the declaration and payment of dividends within India ;	25 per cent.	Nil.
(*iii*) on the income from royalties payable by an Indian concern in pursuance of an agreement which is made by it with the Indian concern on or after the 1st day of April, 1961, and which has been approved by the Central Governemnt ;	50 per cent.	*Nil.*
(*iv*) on the income from fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 and which has been approved by the Central Government ;	50 per cent.	*Nil.*

	Income-tax	
	Rate of income-tax	Rate of surcharge
(*v*) on the income from interest payable on any security of the Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government ; and .	40 per cent.	*Nil.*
(*vi*) on any other income .	65 per cent.	*Nil.*

PART III

List of articles and things

(*1*) Iron and steel (metal), ferro-alloys and special steels.

(*2*) Aluminium, copper, lead and zinc (metals).

(*3*) Coal, lignite, iron ore, bauxite, manganese ore, dolomite, limestone, magnesite and mineral oil.

(*4*) Industrial machinery specified under the heading "8. Industrial machinery", sub-heading "A. Major items of specialised equipment used in specific industries", of the First Schedule to the Industries (Development and Regulation) Act, 1951. 65 of 1951.

(*5*) Boilers and steam generating plants, steam engines and turbines and internal combustion engines.

(*6*) Flame and drip proof motors.

(*7*) Equipment for the generation and transmission of electricity including transformers, cables and transmission towers.

(*8*) Machine tools, precision tools (including cutting tools and small tools), dies and jigs.

(*9*) Tractors and earth-moving machinery.

(*10*) Steel castings and forgings and malleable iron and steel castings.

(*11*) Cement and refractories.

(*12*) Fertilisers, namely, ammonium sulphate, ammonium sulphate nitrate (double salt), ammonium nitrate, calcium ammonium nitrate (nitroline stone), ammonium chloride, super phosphate, urea and complex fertilisers of synthetic origin containing both nitrogen and phosphorus, such as ammonium phosphates, ammonium sulphate phosphate and ammonium nitro phosphate.

(*13*) Paper and pulp.

(*14*) Tea.

(*15*) Electronic equipment, namely, radar equipment, computers, electronic accounting and business machines, electronic communication equipment, electronic control instruments and basic components, such as valves, transistors, resistors, condensors, coils, magnetic materials and micro wave components.

(*16*) Petrochemicals including corresponding products manufactured from other basic raw materials like calcium carbide, ethyl alcohol or hydrocarbons from other sources.

(*17*) Ships.

(*18*) Component parts of the articles mentioned in items Nos. (*4*), (*5*), (*7*) and (*9*), that is to say, such parts as are essential for the working of the machinery referred to in the items aforesaid and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose and are in complete finished form and ready for fitment.

THE SECOND SCHEDULE

(*See* section 3)

Rates of Annuity Deposits

(*i*) In the case of any depositor whose total income does not exceed Rs. 15,000 .. *Nil.*

(*ii*) In the case of any depositor whose total income exceeds Rs. 15,000 but does not exceed Rs. 20,000—

5 per cent. of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed half the amount by which the total income exceeds Rs. 15,000.

(*iii*) In the case of a depositor whose total income exceeds Rs. 20,000 but does not exceed Rs. 40,000—

7½ per cent. of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely :—

(*a*) an amount calculated at five per cent. on so much of the adjusted total income as does not exceed Rs. 20,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 20,000.

(*iv*) In the case of a depositor whose total income exceeds Rs. 40,000 but does not exceed Rs. 70,000—

10 per cent. of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(*a*) an amount calculated at seven and a half per cent. on so much of the adjusted total income as does not exceed Rs. 40,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 40,000.

(*v*) In the case of a depositor whose total income exceeds Rs. 70,000—

12½ per cent. of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely :—

(*a*) an amount calculated at ten per cent. on so much of the adjusted total income as does not exceed Rs. 70,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 70,000.

Explanation.—In this Schedule, "total income" means total income computed in the manner laid down in the Income-tax Act without making any allowance under section 280O of that Act.

THE THIRD SCHEDULE

(*See* section 75)

PART I

In the First Schedule to the Tariff Act,—

(*i*) in Item No. 30, for the figures "60" and "50" in the fourth and fifth columns, the figures "75" and "65" shall, respectively, be substituted;

(*ii*) in Items Nos. 31, 31(2), 31(3) and 31(5), for the entry against each of them in the fourth column, the entry "100 per cent. *ad valorem*" shall be substituted;

(*iii*) in Item No. 31(1), for the figures "75" and "65" in the fourth and sixth columns, the figures "100" and "90" shall, respectively, be substituted;

(*iv*) in Item No. 44, for the figures "50" in the fourth column, the figures "75" shall be substituted;

(*v*) in Item No. 46(3), for the figures "26" in the fourth column, the figures "50" shall be substituted;

(*vi*) in Item No. 47(2), for the entry in the fourth column, the entry "Rs. 10·25 per kilogram or 75 per cent. *ad valorem*, whichever is higher" shall be substituted;

(*vii*) in Item No. 63(10),—

(*1*) for the entry in the fourth column against sub-item (*i*), the entry "Rs. 305·00 per tonne" shall be substituted;

(*2*) for the entry in the fourth column against sub-item (*ii*), the entry "Rs. 325·00 per tonne" shall be substituted; and

(*viii*) in Item No. 63(20A), for the figures "30" in the fourth column, the figures "100" shall be substituted.

PART II

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of		Duration of protective rates of duty
				The United Kingdom	A British Colony	
1	2	3	4	5	6	7

In the First Schedule to the Tariff Act, in SECTION VI, after Item No. 28A, the following Item shall be inserted, namely:—

"28B	Sodium hydrosulphite	Preferential Revenue	100 per cent. *ad valorem*	90 per cent. *ad valorem*	90 per cent. *ad valorem*	.. ".

STATEMENT OF OBJECTS AND REASONS

The object of the Bill is to give effect to the financial proposals of the Central Government for the financial year 1965-66 and to provide for certain connected matters. The Bill, *inter alia*, proposes the grant of tax credit certificates for certain purposes. This is being done with a view to stimulating industrial output and investment in new equity issues and for the purpose of facilitating dispersal of existing industries from urban areas to other areas for relieving congestion. The Notes on clauses explain the various provisions contained in the Bill.

NEW DELHI;
The 27th February 1965

T. T. KRISHNAMACHARI.

Notes on clauses

Clause 2 prescribes the rates of income-tax and surcharge on income-tax (wherever leviable) for the assessment year 1965-66 for income other than capital gains, and also the rates at which income-tax and surcharge (where leviable) are to be deducted at source from interest on securities, dividends and other income during the financial year 1965-66. As the provision relating to the charge of super-tax has been removed from the Income-tax Act, 1961 under various amendments to that Act incorporated in this Bill, no levy of super-tax has been prescribed for the assessment year 1965-66. The element of super-tax has, however, been integrated in the new rate structure of income-tax prescribed in the Bill.

In the rate schedule of income-tax for individuals, Hindu undivided families, unregistered firms and associations of persons etc., the income slabs have been regraded and the rates of tax for the first and the top slabs, as well as for several intermediary slabs of income, have been reduced from those applicable for the assessment year 1964-65. Unlike under the rate schedules of income-tax for the assessment year 1964-65, which contain an initial slab of income free of income-tax, the rate schedule for the assessment year 1965-66 does not contain any initial slab of income exempt from income-tax. However, in the case of individuals and Hindu undivided families (other than non-residents), provision has been made for reduction of the tax calculated on the total income by a specified amount of tax relief on account of personal allowances. The amount of this tax relief has been calculated at the rate of income-tax on the first slab of income on various amounts of personal allowances, which are higher than the initial slabs of income exempt from income-tax in the case of individuals and Hindu undivided families under the Finance Act, 1964. The amount of unearned income not liable to surcharge for the assessment year 1965-66 is Rs. 15,000 as compared with Rs. 10,000 under the Finance Act, 1964. Further, the rates of surcharge on the income-tax on unearned income for 1965-66 have been prescribed on the basis of slabs of such income (instead of for ranges of unearned income as under the Finance Act, 1964), and the tax on the first slab of unearned income of Rs. 15,000 is free of surcharge in all cases. The rates of surcharge on the tax on the next slab of unearned income of Rs. 35,000, *i.e.*, upto Rs. 50,000, is 20 per cent., and on the balance it is 25 per cent. In the case of individuals and Hindu undivided families, interest on Government securities is free from the surcharge in respect of unearned income, but it is liable to the surcharge leviable in

respect of earned income. As regards surcharge on the tax on earned income, the first slab of such income upto Rs. 1 lakh remains free of surcharge as under the Finance Act, 1964, but the rate for the next slab of Rs. 1 lakh upto Rs. 2 lakhs has been fixed at 5 per cent. (instead of 10 per cent. as under the Finance Act, 1964), on the next Rs. 1 lakh upto Rs. 3 lakhs, it is 10 per cent., and for the balance of the earned income, it is 15 per cent.

Non-residents as well as assessees who are resident but not ordinarily resident in India will be charged to tax for the assessment year 1965-66 on their income assessable in India in the same manner as resident assessees, but non-residents will not be entitled to any tax relief on account of personal allowances.

The effect of all these changes is that the incidence of tax on personal income at all levels will be lower than what it was for the assessment year 1964-65.

In the case of registered firms, the rates of income-tax are the same as for the assessment year 1964-65. The general rate of surcharge on income-tax is 20 per cent., but in the case of a registered firm whose income from profession is 51 per cent. or more of its total income, the surcharge will be reduced by one-half.

In the case of co-operative societies, a separate rate schedule of income-tax has been prescribed, because in their case super-tax was charged under the Finance Act, 1964 at a concessional rate. In their case, a single surcharge on income-tax will be levied in respect of income exceeding Rs. 25,000 at a uniform rate of 6¼ per cent., instead of three surcharges leviable under the Finance Act, 1964, *viz.*, the surcharge on income-tax on unearned income and earned income, and surcharge on super-tax.

In the case of companies, the rate of income-tax (as consolidated with super-tax) has been fixed at 80 per cent. (made up of pre-integration income-tax, 25 per cent. *plus* super-tax 55 per cent.), but this is subject to various rebates on different types of income, corresponding to the rebates of super-tax admissible under the Finance Act, 1964. In the case of companies in which the public are not substantially interested and which are wholly or mainly engaged in the business of manufacture or production of goods or construction of ships or in mining or the generation or distribution of electricity, the rate of tax on the first Rs. 10 lakhs of their income has been fixed at 50 per cent., and on the balance of the income it will be 60 per cent. (Under the Finance Act, 1964, the rate of tax on the first Rs. 2 lakhs of the income of companies of the above category whose total income did not exceed Rs. 5 lakhs was 50 per

cent.; and on the balance, it was 60 per cent.). In the case of all other companies, the rates of income-tax are the same as for the assessment year 1964-65.

The special rebate of tax provided under the Finance Act, 1964 on income derived by companies (other than those which do not declare their dividends in India) from the manufacture or production of specified articles of priority and basic industries, equivalent to 10 per cent. of the normal tax, is being continued for the assessment year 1965-66. The area of this benefit has been enlarged by the addition of several new items in the list of such articles, which is contained in Part III of the First Schedule to the Bill.

The rates at which tax is to be deducted at source from the income of non-residents during the financial year 1965-66 has been fixed at 30 per cent, *or* the amount of income-tax and surcharge on income-tax calculated on the whole of the income liable to such deduction at the rates prescribed in the rate schedule of income-tax in Paragraph A of Part I of the First Schedule to the Bill, *whichever is higher*. This compares with the rate for deduction of tax at source at 48·375 per cent. (subject to a higher deduction on account of super-tax where the income attracts super-tax in accordance with the rate schedule applicable to resident assessees at a rate higher than 19 per cent.) which was prescribed under the Finance Act, 1964. In the case of resident assessees and companies, the rate for deduction of tax at source for the financial year 1965-66 is the same as for the financial year 1964-65.

The basis and the quantum of tax rebates in relation to exports for the assessment year 1965-66 are the same as for the assessment year 1964-65.

Clause 3 prescribes the rates at which annuity deposits in respect of the assessment year 1965-66 and advance annuity deposits for the financial year 1965-66 will be required to be made by individuals, Hindu undivided families, unregistered firms, associations of persons, etc. under the provisions of Chapter XXIIA of the Income-tax Act.

Sub-clause (*i*) of clause 4 seeks to amend clause (7) of section 2 of the Income-tax Act. This amendment is consequential to the amendment under clause 29 of the Bill.

Sub-clause (*ii*) of clause 4 seeks to omit clause (*11*) of section 2 of the Income-tax Act. This omission is consequential to the amendment under clause 29 of the Bill.

Sub-clause (*iii*) of clause 4 seeks to amend clause (*18*) of section 2 of the Income-tax Act and clause (*i*) of Explanation 1 to that clause.

The effect of this amendment will be that a company whose equity shares to the extent of not less than 50 per cent. (40 per cent. in the case of an industrial company) are held by another company in which the public are substantially interested or by a 100 per cent. subsidiary of such a company will be regarded as a company in which the public are substantially interested, if it satisfies other conditions of section 2(18). Further, in ascertaining whether the affairs of the company or the shares carrying more than 50 per cent. of its total voting power were at no time during the relevant previous year controlled or held by five or less persons, no account will be taken of a company in which the public are substantially interested or a 100 per cent subsidiary of such a company which holds not less than 50 per cent (or 40 per cent. as the case may be) of the equity shares of the first-mentioned company.

Sub-clause (*iv*) of clause 4 seeks to amend clause (*22*) of section 2 of the Income-tax Act. The effect of the amendment would be that the distribution received by the shareholder of a company on the reduction of its capital or on its liquidation would, to the extent such distribution is attributable to the capitalised profits of the company from which bonus shares have been issued by it to its equity shareholders after 31st March, 1964, would not be chargeable to tax in the hands of the shareholder as his dividend income.

Sub-clause (*v*) of clause 4 seeks to amend clause (*30*) of section 2 of the Income-tax Act. This amendment is consequential to the amendment under clause 35 of the Bill.

Sub-clause (*vi*) of clause 4 seeks to amend clause (*43*) of section 2 of the Income-tax Act. This amendment is consequential to the amendment under clause 29 of the Bill.

Further, this sub-clause seeks to insert a new clause (*43A*) in section 2 of the Income-tax Act to define a "tax credit certificate" to mean a tax credit certificate granted to any person in accordance with the provisions of Chapter XXIIB of the Act and any scheme made thereunder.

Sub-clause (*vii*) of clause 4 seeks to omit clause (*46*) of section 2 of the Income-tax Act. This amendment is consequential to the amendment under clause 35 of the Bill.

Clause 5 seeks to amend section 8 of the Income-tax Act to secure that an interim dividend paid by a company shall be deemed to be the income of the previous year in which the amount of such dividend is unconditionally made available by the company to the member who is entitled to it. This amendment secures that the year

of taxability of the interim dividend will be determined without regard to the method of accounting followed by the assessee.

Sub-clause (i) of clause 6 seeks to insert a new clause (*4A*) in section 10 of the Income-tax Act to secure that in the case of a non-resident, any income from interest on moneys standing to his credit in a non-resident account in any bank in India in accordance with the Foreign Exchange Regulation Act, 1947 and the rules made thereunder will be excluded in computing the total income of the non-resident.

Sub-clause (*ii*) of clause 6 seeks to amend sub-clause (*vii*) (*a*) of clause 6 of section 10 of the Income-tax Act. The effect of this amendment will be that a foreign technician having specialised knowledge and experience in constructional or manufacturing operations or in mining or in the generation or distribution of power who is now exempt from tax on his salary for a period of 36 months from the date of his arrival in India and from further tax on the tax paid by his employer on his salary for the following 24 months, will henceforward be entitled to exemption from tax on the tax paid by his employer for a period of 60 months following the expiry of the initial period of 36 months, provided that the approval of the Central Government is obtained to his continuing to remain in employment in India for the extended period.

Sub-clause (*iii*) of clause 6 seeks to amend clause (*13*) of section 10 of the Income-tax Act to secure that any payment from an approved superannuation fund by way of refund of contributions to an employee on his leaving the service in connection with which the fund is established, otherwise than by retirement at or after a specified age or on his becoming incapacitated prior to such retirement will be excluded in the computation of his total income to the extent to which such payment does not exceed the contributions made prior to the commencement of the Income-tax Act, 1961 and any interest thereon.

Sub-clause (*iv*) of clause 6 seeks to insert a new clause (*28*) in section 10 of the Income-tax Act to the effect that in the case of any person who is granted a tax credit certificate, any amount adjusted or paid to him in respect of such certificate under the provisions of Chapter XXIIB proposed to be introduced in the Act by clause 62 of the Bill will not be included in the computation of his total income.

Clause 7 seeks to amend section 18 of the Income-tax Act to exclude from the head of income "Interest on securities" the interest

element included in an annuity payable under section 280D of the Income-tax Act.

Sub-clause (*i*) of clause 8 seeks to amend sub-section (*1*) of section 33 of the Income-tax Act. The effect of this amendment will be that in the case of machinery or plant installed after 31st March, 1965 for purposes of the business of construction or manufacture or production of any one or more of the articles specified in the list in the Fifth Schedule proposed to be inserted in the Income-tax Act by clause 67 of the Bill, development rebate will be admissible at the rate of 25 per cent. of the actual cost, and in the case of any other machinery or plant installed after 31st March, 1965, development rebate will be allowed at 20 per cent. of the actual cost, and where it is installed after 31st March, 1967, at 15 per cent. of such cost.

Sub-clause (*ii*) of clause 8 seeks to amend sub-section (*2*) of section 33. These amendments are consequential to the amendment sought to be made by clause 9 of the Bill.

Sub-clause (*iii*) of clause 8 seeks to insert a new sub-section (*6*) in section 33 of the Income-tax Act. The effect of this amendment will be that no development rebate will be admissible in respect of machinery or plant installed after 31st March, 1965 in any office premises or in any residential accommodation, including guest houses.

Clause 9 seeks to insert a new section 33A in the Income-tax Act. Under this section, a deduction by way of development allowance equivalent to 40 per cent. of the actual cost of planting of tea in new areas and 20 per cent. of the actual cost of planting in replacement of bushes in existing areas will be made in computing income from a business of growing or manufacturing tea in India subject to certain limits and conditions, which are broadly similar to those in existence in respect of the deduction of development rebate in respect of machinery or plant. The actual cost of planting for the purposes of the development allowance will include cost of preparing the land, cost of seeds, cuttings and nurseries and also the cost of upkeep of the area for a period of 4 years including the previous year in which the land was prepared. The actual cost of planting for the purpose of this allowance will be subject to a ceiling of Rs. 12,500 per hectare if the land is in a hilly area and Rs. 10,000 per hectare if the land is in any other area. These figures are approximately equivalent to Rs. 5,000 per acre and Rs. 4,000 per acre respectively. The development allowance will be admissible in respect of the expenditure on planting commenced after 31st March,

1965 and, in respect of planting in replacement of bushes in an existing area where the planting has commenced after 31st March, 1965 and is completed before 1st April, 1970. The allowance will be made in computing the income assessable for the assessment year relevant to the third succeeding previous year next following the previous year in which the land has been prepared.

Clause 10 seeks to amend section 34 of the Income-tax Act. This amendment is consequential to the amendment of section 47 sought to be made by clause 15 of the Bill.

Clause 11 seeks to insert a new clause in sub-section (*1*) of section 36 of the Income-tax Act. Under this provision, any expenditure *bona fide* incurred by a company for the purpose of promoting family planning amongst its employees will be allowed as a deduction in computing the company's income under the head "Profits and gains of business or profession". Where the expenditure in this respect is of a capital nature, one-fifth of such expenditure will be deducted in the previous year in which it was incurred and in each of the four immediately succeeding previous years.

Clause 12 seeks to make certain amendments to section 37 of the Income-tax Act which are consequential to the insertion of a new section 33A in the Income-tax Act under clause 9 of the Bill.

Clause 13 seeks to make certain amendments to sub-clause (*iii*) of clause (*c*) of section 40 of the Income-tax Act. The effect of one of these amendments would be that the expenditure incurred by companies in providing any benefit or amenity or perquisite to their employees whose income chargeable under the head "Salaries" does not exceed Rs. 7,500 would not be taken into account for the purposes of the aforesaid provision. The effect of the other amendment would be that in computing the expenditure incurred by a company in providing any benefit, amenity or perquisite to its employees for the purposes of the aforesaid provision, the perquisite represented by the tax paid by the company on the salary income of a foreign technician in its employment [which is exempt from tax in the hands of the technician under section 10(6) (vii) of the Act], and any expenditure incurred by a company for promoting family planning amongst its employees, would also not be taken into account.

Clause 14 seeks to amend section 43 of the Income-tax Act. This amendment is consequential to the amendment of section 47 of the Act sought to be made by clause 15 of the Bill.

Clause 15 seeks to amend section 47 of the Income-tax Act by the insertion of a new clause (*v*). The effect of this amendment will be that any transfer of a capital asset by a subsidiary company

to the holding company will not be treated as a transfer for purposes of the chargeability to tax under the head "Capital gains" under section 45 where the subsidiary company is a 100 per cent. subsidiary of the holding company and the latter is an Indian company.

Sub-clause (*i*) of clause 16 seeks to amend clause (*iii*) of section 49 of the Income-tax Act. This amendment is consequential to the amendment to section 47 under clause 15 of the Bill.

Sub-clause (*ii*) of clause 16 seeks to insert an Explanation at the end of section 49 of the Income-tax Act. The effect of this provision will be that where a capital asset became the property of the assessee on any distribution of assets on the total or partial partition of a Hindu undivided family or under a gift or will or under succession, inheritance, devolution, etc., the cost of acquisition of the asset to the previous owner of the property will mean the cost of acquisition to the last previous owner who acquired it otherwise than by any of the modes of acquisition specified in the section.

Clause 17 seeks to insert a new section 54A in the Income-tax Act. Under this section, an individual who is not a citizen of India or a company which is not an Indian company transferring any shares held by him or it in an Indian company and becoming liable to pay tax on the capital gains arising out of such transfer will be entitled to a credit of the whole or part of the tax so payable in proportion to the amount of the proceeds of the transfer as reduced by the cost of acquisition of the transferred shares, which are re-invested in any of the approved investments within a period of two years from the date of the transfer of the shares.

Clause 18 seeks to insert a new clause (*ia*) in sub-section (2) of section 56 of the Income-tax Act to secure that an annuity due or the commuted value of any annuity paid under section 280D of the Income-tax Act will be chargeable to tax under the head "Income from other sources".

Clause 19 seeks to insert a new section 69B in the Income-tax Act. The effect of this amendment will be that where in any financial year, the assessee has made any investment or is found to be the owner of any bullion, jewellery or other valuable article and the Income-tax Officer finds that the amount expended on making such investment or in acquiring such bullion, jewellery or other valuable article exceeds the amount recorded in this behalf in the books of account maintained by the assessee for any source of income, the excess amount may be deemed to be the income of the assessee for such financial year unless he is able to offer satisfactory explanation for the same.

Clause 20 seeks to introduce a new Chapter VIA in the Income-tax Act containing provisions relating to deductions to be made in computing the total income.

Under section 80A of the proposed Chapter, an individual or Hindu undivided family will be entitled to a deduction of an amount equal to 50 per cent. of the aggregate of the qualifying sums in respect of payments towards life insurance premia, contributions to provident funds and superannuation funds and deposits in certain cumulative time deposit accounts in the post office etc. This provision will replace the existing provision in section 87 of the Act relating to the allowance of rebate in respect of such sums and will come into effect from the assessment year 1966-67 in the case of assessees whose total income assessable for the assessment year 1965-66 includes any income chargeable under the head "Salaries" from which tax is deducted or deductible at source in accordance with the provisions of section 192, and from the assessment year 1965-66 in the case of other assessees. The monetary limit of the qualifying amount in respect of the sums referred to above will be Rs. 12,500 in the case of an individual and Rs. 25,000 in the case of a Hindu undivided family, as against the existing monetary limit of Rs. 10,000 in the case of an individual and Rs. 20,000 in the case of a Hindu undivided family for the purpose of rebate of tax.

Under the new section 80B, an individual or a Hindu undivided family resident in India will be entitled to a deduction of a specified sum in the computation of the total income where expenditure has been incurred by him or it on the medical treatment (including nursing) of a physically or mentally disabled person who is a relative of the individual or is a member of the Hindu undivided family and is dependent on the individual or the Hindu undivided family for his support. The deduction will be admissible only where the total income of the individual or the Hindu undivided family as computed before making any deduction under this Chapter and before deducting any annuity deposit under section 280O does not exceed Rs. 20,000 and will be reduced in either case by the income, if any, of the disabled dependant.

The new section 80C provides for relief subject to certain conditions in respect of premiums paid by partners of registered firms of chartered accountants, architects, solicitors or lawyers, under an approved contract, or contributions made to an approved fund, for the purpose of securing retirement annuities in old age.

The relief will be by way of deduction of the amount of the premiums not exceeding one-tenth of the total income of the individual

for the year (subject to certain adjustments) or Rs. 5,000, whichever is less, in computing his total income.

The annuity when received will be treated as earned income to the extent to which it is attributable to the amount of deduction allowed under this section, and charged to tax accordingly.

The approval of annuity contracts and funds will be given by the Commissioner subject to certain rules and conditions.

The new section 80D contains definition of certain terms used in this Chapter.

Clause 21 seeks to amend section 84 of the Income-tax Act. This amendment is consequential to the amendment under clause 29 of the Bill.

Clause 22 seeks to insert a new section 85A in the Income-tax Act to secure that income from dividends received by one company from another Indian company or a company which has made the prescribed arrangements for the declaration or payment of dividends within India will bear income-tax at the rate of 25 per cent. Further, in the case of a company which has not made the prescribed arrangement for the declaration and payment of dividends within India and which receives dividend from an Indian company in which the public are not substantially interested and which is wholly or mainly engaged in certain priority industries, the income from dividends will bear income-tax at the rate of 15 per cent.

Clause 23 seeks to amend section 86 of the Income-tax Act. This amendment is consequential to the amendment to the Income-tax Act under clause 24 of the Bill.

Clause 24 seeks to introduce a new section 86A in Chapter VII of the Income-tax Act. Under the new section, income from interest on securities issued income-tax free by the Central Government or by any State Government on which income-tax is payable by the State Government, which is included in the total income of an assessee will qualify for a rebate of income-tax calculated thereon at the average rate of income-tax or at the rate of 25 per cent. whichever is less. This amendment is consequential to the amendment under clause 29 of the Bill.

Clause 25 seeks to amend section 87 of the Income-tax Act. The amendment sought to be made by sub-clause (*i*) is consequential to the amendment under clause 29 of the Bill, while that sought to be made by sub-clause (*ii*) is consequential to the introduction of new section 80A in the Act under clause 20 of the Bill.

Clause 26 seeks to amend section 88 of the Income-tax Act. The amendments in sub-clause (*i*) and sub-clause (*iii*) are consequential to the amendment under clause 29 of the Bill. The effect of the amendments under sub-clause (*ii*) and sub-clause (*iv*) will be that the assessee will be entitled to a rebate of tax in respect of donations given for the renovation or repair of any temple, mosque, gurdwara, church or other place which is notified by the Central Government in the Official Gazette to be a place of public workship of renown throughout any State or States. At present the rebate of tax is available only where the temple, mosque, etc. is notified by the Central Government to be of historic, archaeological or artistic importance. The monetary limit upto which such donations will qualify for the rebate is also sought to be raised from Rs. 2 lakhs to Rs. 5 lakhs.

Clauses 27 and *28* seek to amend sections 90 and 91 respectively of the Income-tax Act. These amendments are consequential to the amendment under clause 29 of the Bill.

Clause 29 seeks to amend Chapter XI of the Income-tax Act which contains provisions relating to charge of super-tax. These amendments seek to remove the charge of super-tax and consequentially, to omit the provisions relating to rebate or relief in respect of super-tax, and to substitute the levy of super-tax on the undistributed profits of certain companies by the levy of income-tax thereon. Chapter XI will hereafter contain only the provisions relating to charge of additional income-tax with reference to the undistributed income of certain companies.

Clause 30 seeks to amend section 104 of the Income-tax Act. The amendment in sub-clause (*i*) is consequential to the amendment under clause 29 of the Bill. The amendment in sub-clause (*iii*) secures that a non-trading company (other than an investment company) which is liable to the additional income-tax on undistributed income will pay such tax at 25 per cent. of the undistributed income, while a trading company will pay such tax at 37 per cent.

The amendment in sub-clause (*ii*) is consequential to the amendment in sub-clause (*iii*).

Clause 31 seeks to amend section 109 of the Income-tax Act. The amendment in sub-clause (*iii*) secures that in the case of a non-trading company which is liable to the additional income-tax on undistributed income at the rate of 25 per cent. under the amendment in clause 30, the statutory percentage of distributable income will continue to be 60 per cent. until the accumulated profits and reserves of the company exceed twice the aggregate of the paid-up capital

and loan capital, which, is the property of the share-holders, or twice the value of the fixed assets, whichever is greater.

The amendment in sub-clause (*ii*) gives the definition of "trading company" and the amendment in sub-clause (*i*) is consequential to the amendment in clause 29 of the Bill.

Clauses 32 to *34* seek to amend certain provisions of the Income-tax Act in consequence of the amendment under clause 29 of the Bill.

Clause 35 seeks to omit section 113 of the Income-tax Act. The effect of this omission will be that a non-resident assessee, not being a company, will be chargeable to tax on his total income at the average rate of tax applicable to such income.

Clause 36 seeks to amend section 114 of the Income-tax Act. Sub-clause (*ii*) (*b*) seeks to introduce a second proviso in sub-clause (*ii*) of clause (*b*) of section 114. This proviso will have the effect of reducing the tax calculated on the capital gains relating to bonus shares chargeable under sub-section (2) of section 45 by an amount equal to 10 per cent. of the face value of the bonus shares or the amount of income-tax so calculated, whichever is less.

The rest of the amendments sought to be made by this clause are consequential to the amendment under clause 29 of the Bill.

Clause 37 seeks to substitute section 115 of the Income-tax Act by a new section. Under the new section, the income-tax calculated in the case of a company on its income under the head "Capital gains" relating to bonus shares chargeable under sub-section (2) of section 45 will be reduced by an amount equal to 10 per cent. of the face value of the bonus shares or the amount of income-tax so calculated, whichever is less. The remaining changes from the existing provisions of section 115 are consequential to the amendment under clause 29 of the Bill.

Clause 38 seeks to amend section 131 of the Income-tax Act to confer on the Inspecting Assistant Commissioner of Income-tax the powers of discovery and inspection, enforcing attendance of any person, including any officer of a banking company, and examining him on oath, compelling production of books of account and other documents and issuing commissions. At present these powers are available to the Income-tax Officer, Appellate Assistant Commissioner and Commissioner under this section and also to the Appellate Tribunal under the other provisions of the Act.

Clause 39 seeks to amend section 155 of the Income-tax Act. The amendment under sub-clause(*i*) is consequential to the introduction

of the new section 33A in the Income-tax Act under clause 9 of the Bill. The amendment in sub-clause (*ii*) is consequential to the amendment under clause 29 of the Bill.

Clause 40 seeks to amend section 164 of the Income-tax Act. This amendment is consequential to the amendment under clause 35 of the Bill.

Clause 41 seeks to amend section 178 of the Income-tax Act. The effect of these amendments will be that the liquidator of a company who is under a statutory obligation to notify the Income-tax Officer of his appointment within 30 days of his becoming the liquidator, will be debarred from parting with the assets of the company and properties in his hands until he is notified by the Income-tax Officer of the amount which will be sufficient to provide for any tax which is then, or is likely thereafter to become, payable by the company except with the previous approval of the Commissioner and for a specific purpose, namely payment of the tax payable by the company, payments to secured creditors whose debts are entitled under law to priority of payment over debts due to Government on the date of liquidation and meeting such costs and expenses of the winding up of the company as are, in the opinion of the Commissioner, reasonable. If the liquidator either fails to notify the Income-tax Officer of his appointment within the time specified or fails to set aside the amount intimated to him by the Income-tax Officer as being sufficient to provide for the tax liability of the company or parts with any of the assets of the company or property in his hands in contravention of the above provisions, he shall be personally liable for the payment of the tax which the company would be liable to pay or, as the case may be, the amount intimated to him by the Income-tax Officer.

Clauses 42 to 52 seek to amend the provisions of the Income-tax Act in consequence of the amendment under clause 29 or clause 35 of the Bill.

Clause 53 seeks to amend sections 213 to 217, 220, 243 and 244 of the Income-tax Act to secure that the rate of interest chargeable on delayed payments of tax and the interest payable by Government on delayed refunds will be six per cent. as against the existing rate of 4 per cent. per annum.

Clause 54 seeks to amend sub-section (5) of section 226 of the Income-tax Act to secure that the Commissioner of Income-tax may authorise by general or special order the recovery of any arrears of tax due from an assessee by distraint and sale of his immovable property.

Clauses 55 to *57* seek to make amendments to the Income-tax Act which are consequential on the amendment under clause 29 of the Bill.

Clause 58 seeks to introduce a new section 276A in the Income-tax Act to provide that a person who is appointed as liquidator of a company and who fails to give notice of his appointment to the Income-tax Officer as required by section 178(*1*) or fails to set aside the amount which is intimated to him by the Income-tax Officer as being sufficient to cover the tax liabilities of the company as required by section 178(*3*) or parts with any of the assets of the company or the properties in his hands in contravention of the provisions of section 178(*3*) shall be punishable with rigorous imprisonment. The term of such imprisonment is subject to maximum of two years and a minimum of six months as in sections 277 and 278.

Clause 59 seeks to amend section 279 of the Income-tax Act. This amendment is consequential on the insertion of the new section 276A under clause 58 of the Bill.

Clauses 60 and *61* seek to make amendments to the Income-tax Act which are consequential on the amendment under clause 29 of the Bill.

Clause 62 seeks to introduce a new Chapter XXIIB in the Income-tax Act to provide for the grant of tax credit certificates for different purposes.

New section 280Z in this Chapter provides for the grant of a tax credit certificate to an individual or Hindu undivided family in respect of amounts subscribed and paid by him or it to an eligible issue of capital by a public company. The amount of the tax credit certificate will be calculated at graded rates with reference to the total amount paid during a financial year by the individual or Hindu undivided family and will be limited to a maximum of Rs. 1,250 which is reached when the total payment is Rs. 35,000. A tax credit certificate for the amount so calculated will be granted for the financial year in which the payment is first made and for each of the three following financial years subject to the condition that the relevant shares are held by the individual or Hindu undivided family till the end of the respective financial years, and proportionately reduced if the whole or part of such shares are sold during any of these three years.

New section 280ZA provides for the grant of a tax credit certificate to a public company which shifts, with the prior approval of the Central Board of Direct Taxes, its industrial undertaking from an

urban area (to be notified by the Central Government) to any other area, and incurs liability for payment of tax on the 'Capital gains' derived from the sale of lands and buildings (or any rights therein) used for the purposes of its business in the urban area. The amount of the tax credit certificate will be calculated as a proportion of the tax payable on the 'Capital gains', which the expenditure incurred by the company in acquiring lands or constructing buildings for the purposes of its business in the area and on the shifting of its machinery or plant and other effects and transferring its establishment to such area, within a period of three years from the date of the Board's approval to the shifting, bears to the 'Capital gains' derived from the sale of its lands and buildings in the urban area as stated above. If the investment in lands and buildings in the new area, including the expenditure on shifting, as stated above, equals or exceeds such 'Capital gains', the tax credit certificate will be granted for the whole of the amount of the tax payable on the 'Capital gains'. The period of three years may be extended by the Board in suitable cases. If the company transfers the lands or buildings in the new area within a period of five years to a person, other than Government or a public sector corporation, an amount equal to one-half of the amount of the tax credit certificate will be taken back from the company.

New section 280ZB provides for the grant of a tax credit certificate to a company engaged in the manufacture or production of specified articles, where the company is liable to pay for any of the five assessment years, 1966-67 to 1970-71, an aggregate amount of income-tax and sur-tax in excess of the corresponding amount which it is liable to pay for the base year, namely, assessment year 1965-66. The amount of the tax credit certificate will be calculated at 20 per cent. of such excess for each of the five years mentioned above. In the case of a company which is not liable to pay any tax for the assessment year 1965-66, but becomes so liable for any but the last of the following five years mentioned above, such year will be treated as the 'base year' for that company, and the tax credit certificate will be granted for 20 per cent. of the excess of the aggregate tax which it becomes liable to pay for any subsequent assessment year (within the five-year period mentioned above) over the aggregate tax of such 'base year'. The amount of the tax credit certificate for any year will not, in any case, exceed ten per cent. of the aggregate tax for that year.

An amount equal to the amount of the tax credit certificate granted under this section should be utilised by the company for the repayment of loans taken by the company from any financial

institutions to be notified in this behalf by the Central Government or for redemption of its debentures, to enable it to have the benefit of the tax credit certificate.

New section 280ZC provides for the grant of a tax credit certificate to any person who exports any goods or merchandise out of India after 28th February, 1965 and receives the sale proceeds thereof in India through recognised foreign exchange channels. The amount of the tax credit certificate will be calculated with reference to the amount of such proceeds at the rate which will be specified in this behalf in the scheme to be made by the Central Government for this purpose. The rate will in no case exceed 15 per cent.

New section 280ZD provides for the grant of a tax credit certificate to any person who manufactures or produces any goods for an amount calculated with reference to the excess amount of duty of Central excise on such goods which he pays in any of the financial years 1965-66 to 1969-70 over the amount of such duty which he has paid on such goods during the base year. The rate at which the amount of the certificate is to be calculated will be specified in the scheme, but it shall not exceed 25 per cent. of the excess stated above. The base year for this purpose is the financial year 1964-65, but in the case of an undertaking which was not in production during that year, it will be any subsequent financial year in which it begins production.

An amount equal to the amount of the tax credit certificate granted under this section should be utilised by the person for the repayment of loans taken by the person from any financial institutions to be notified in this behalf by the Central Government (including in the case of a company the redemption of its debentures) to enable it to have the benefit of the certificate.

The amount shown on a tax credit certificate granted to any person under the above sections will be adjusted against any existing liability of such person under the Indian Income-tax Act, 1922 or the Income-tax Act, 1961 or any such liability arising within a period of twelve months from the date on which the certificate is produced before the Income-tax Officer, and the amount, if any, remaining after such adjustment will be refunded to the person on the expiry of that period.

The Central Government has been empowered to frame a scheme or schemes making detailed provisions for the implementation of the provisions relating to grant of tax credit certificates for various purposes. The scheme will, *inter alia*, contain provisions as to the

manner in which and the authority by whom the certificate will be issued.

Clause 63 seeks to amend section 294 of the Income-tax Act. This amendment is consequential to the amendment under clause 29 of the Bill.

Clause 64 seeks to amend section 295 of the Income-tax Act. This amendment is consequential to the insertion of a new section 80A in the Act under clause 20 of the Bill.

Clause 65 seeks to amend Rule 3 of the First Schedule to the Income-tax Act. This amendment is consequential on the amendment under clause 29 of the Bill.

Clause 66 seeks to amend the Fourth Schedule to the Income-tax Act. One of the amendments seeks to provide that no tax should be deducted at source under rule 6 of Part B, from a payment which is exempt under section 10(*13*) of the Income-tax Act. The rest of the amendments are consequential to the amendments under clause 20 or clause 29 of the Bill.

Clause 67 seeks to introduce a new Fifth Schedule in the Income-tax Act, specifying the list of articles and things for the purposes of the allowance of development rebate on machinery or plant at the enhanced rate of 25 per cent. prescribed under the amendment to the Income-tax Act in clause 8.

Clause 68 seeks to make a provision for voluntary disclosures of income which a person has failed to disclose in a return of income for any assessment year filed by him before 1st March, 1965 under the Indian Income-tax Act, 1922 or the Income-tax Act, 1961, or which has escaped assessment for any assessment year for which an assessment has been made before 1st March, 1965 under either of the said Acts or for the assessment of which no proceedings under either of the said Acts have been taken before 1st March, 1965. Such disclosures may be made any time during the months of March, April and May, 1965, but not thereafter. The amount declared under this provision will be charged to income-tax at the rate of 60 per cent, but if the tax is paid during the month of March, 1965 at the rate of 57 per cent. of the declared amount, there will be no further liability to tax in respect of that amount. The tax on the amount declared may be paid any time during a period of six months from the date of declaration, provided the payment is guaranteed by a scheduled bank or Central Government securities sufficient to cover the amount of tax are assigned to the President of India for this purpose. The securities will be taken at their market value on the date of assignment.

The declaration under this section should be made to the Commissioner and should, *inter alia*, contain particulars of the year or years in which the income was earned, and the form in which the declared amount is held and the location of the relevant assets.

Where an amount is declared under this section and the tax thereon is paid, the balance may be credited by the declarant to his books of account or other record, and if he does so, the amount declared shall not be included in his total income for any assessment under the Indian Income-tax Act, 1922 or the Income-tax Act, 1961 or the Excess Profits Tax Act, 1940, or the Business Profits Tax Act, 1947, or the Super Profits Tax Act, 1963 or the Companies (Profits) Surtax Act, 1964.

Full secrecy will be ensured in respect of the particulars contained in any declaration or record of any proceedings under this section.

Clause 69 seeks to amend the Estate Duty Act, 1953.

Sub-clauses (*i*), (*ii*) (*a*), (*iii*) (*a*), (*iv*) (*a*) *and* (*v*) (*a*) respectively seek to reduce the period specified in sections 9, 10, 11, 12 and 22 for the inclusion in his estate of property gifted by the deceased during his life time from two years to one year. Sub-clause (*ix*) seeks to make a similar amendment in section 46(2) in respect of debts or incumbrances repaid or discharged by the deceased where but for the repayment or discharge the liability would have been precluded from deduction in the computation of the net principal value of his estate.

Sub-clauses (*ii*)(*b*), (*iii*)(*b*), (*iv*)(*b*) and (*v*)(*b*) respectively seek to amend sections 10, 11, 12 and 22 to secure that where the deceased had lived in a house or part thereof which he had gifted, or otherwise disposed of, in favour of the spouse, son, daughter, brother or sister, and there is no right of residence reserved or secured to him under the relevant disposition or under any collateral disposition, the property will not be included in his estate.

Sub-clause (*vi*) seeks to insert a new section 29A in the Estate Duty Act to secure that estate duty shall not be attracted in respect of any pension payable on the death of an employee to his widow or other dependants under the relevant pension rules of the Central Government, a State Government, a local authority or a public sector corporation or in respect of any annuity or pension payable to the widow or dependants of the employee from a superannuation fund approved under the Indian Income-tax Act, 1922 or the Income-tax Act, 1961 or from a superannuation or pension fund established by

international organisations to be notified by the Central Government. There will be a limit of Rs. 15,000 per annum on the annuity or pension payable out of an approved superannuation fund which qualifies for this exemption.

Sub-clause (*vii*)(*b*) seeks to insert a new clause (*o*) in section 33(*1*) of the Estate Duty Act to secure that property gifted by the deceased to the spouse, son, daughter, brother or sister, will not be included in the estate of the donor if he dies after five years from the date of the gift, provided that the property is either chargeable to gift-tax under the Gift-tax Act, 1958, or is not chargeable under section 5 of that Act for the assessment year 1964-65 or any subsequent assessment year.

The amendments in sub-clauses (*vii*)(*a*) and (*viii*) are consequential to the amendments in the other sub-clauses.

Clause 70 seeks to amend the Wealth-tax Act, 1957.

Sub-clause (*i*) seeks to introduce a new clause (*xx*) in sub-section (*1*) of section 5 of the Wealth-tax Act to secure that where the assessee is the owner of any shares subscribed and paid for by him and such shares form part of the initial issue of the equity share capital made after the 28th February, 1965 by a company established with the object of carrying on an industrial undertaking in India, the value of such shares shall not be chargeable to wealth-tax for a period of five successive assessment years commencing with the assessment year next following the date of such issue.

Sub-clause (*ii*) seeks to amend Part I of the Schedule to the Wealth-tax Act to secure the levy of an additional wealth-tax on assets, being buildings or lands other than business premises or any right in such buildings or lands, situated in areas with a population exceeding 1 lakh, included in the net wealth of an individual or a Hindu undivided family at graded rates on the slab system. This additional wealth-tax will be calculated at the specified rates on the total value of such assets which exceeds certain initial exempt amounts prescribed having regard to the population of the area in which the assets are situated.

Clause 71 seeks to amend the Gift-tax Act.

Sub-clause (*i*) seeks to insert a new clause (*va*) in section 5(*1*) of the Gift-tax Act to secure exemption from gift-tax to a gift made to a temple, mosque, gurdwara, church or other place which has been notified by the Central Government for the purposes of section 86(*6*) of the Income-tax Act or a gift of property by way of settlement on trust where the income from property is, according to the

deed of settlement, to be used exclusively in connection with such a temple, etc.

Sub-clause (*ii*) seeks to introduce a new section 18A in Chapter IX of the Gift-tax Act to secure that where any stamp duty has been paid on an instrument of gift of property in respect of which the gift-tax payable exceeds Rs. 1,000, the assessee shall be entitled to a deduction from the gift-tax payable by him of an amount equal to the stamp duty so paid subject to a maximum of one-half of the sum by which the gift-tax payable before making the deduction for stamp duty exceeds Rs. 1,000.

Clause 72 seeks to introduce a new section 4A in the Preference Shares (Regulation of Dividends) Act, 1960, and to make some consequential amendments to certain other provisions of that Act. The new section 4A referred to above seeks to provide that in respect of preference shares, the stipulated dividend on which is subject to a deduction by the company concerned of the income-tax payable by it, the company shall not make a deduction in excess of 25 per cent. of the amount of the stipulated dividend on such shares,—25 per cent. being the existing rate at which income-tax is chargeable on companies.

The other amendments under this clause are consequential to the amendments to the Income-tax Act, 1961 under clause 29 of the Bill.

Clause 73 seeks to amend section 32 of the Unit Trust of India Act, 1963.

These amendments are consequential to the amendment to the Income-tax Act (under clause 29 of the Bill) relating to the removal of the charge of super-tax. Under one of the existing provisions of the aforesaid section, an individual unit holder is allowed to deduct the qualifying amount of the dividend received on the units (*viz.*, dividends not exceeding a sum of Rs. 1,000) from his total income, normally, for the purpose of income-tax only and not for super-tax. The deduction is allowed both for income-tax and super-tax, only where the individual's income would not attract super-tax but for the inclusion therein of the amount of qualifying dividend. With the integration of super-tax with income-tax, a deduction of the amount of the qualifying dividend would, however, result in a tax relief in respect of the element of super-tax also. The proposed amendment, therefore, secures that on the integration of super-tax with income-tax, the tax relief in terms of the consolidated income-tax would be limited to what the individual would be entitled to under the existing provisions of the aforesaid Act.

Under another existing provision in section 32 of the aforesaid Act, individuals are exempt from deduction of income-tax at source from the dividends paid to them by the Unit Trust. When super-tax gets integrated into income-tax, the effect of the existing provision would be that non-residents would be exempt from the deduction of the element of super-tax also, from the dividends received by them from the Unit Trust of India. To avoid this position, it is sought to amend the relevant provision to provide that in the case of non-resident individuals, income-tax shall be deducted at source from the dividends received by them on the units, at the rate of 15 per cent.

Clause 74 seeks to amend certain provisions of the Companies (Profits) Surtax Act, 1964.

Sub-clauses (*i*) and (*ii*).—The amendments under these sub-clauses are consequential to the amendments to the Income-tax Act, under clause 29 of the Bill, relating to the removal of the charge of super-tax.

Sub-clause (*iii*)(*a*) introduces a provision limiting the aggregate amount of income-tax and surtax on companies of certain categories to 70 per cent. of their total income. If the aggregate amount of such tax liability is found to be in excess of the aforesaid limit, the surtax otherwise payable by the company will be reduced by the excess amount. For the purpose of this provision, income-tax will include the amount of income-tax payable by the company with reference to the amount of the dividends declared or distributed by it in respect of its equity capital, but will not include the income-tax payable by it with reference to bonus shares or bonus issued by it to its shareholders in any year.

Sub-clause (*iii*)(*b*) adds certain new items to the list of articles in paragraph 2 of the Third Schedule to the Companies (Profits) Surtax Act, the profits derived from the production or manufacture of which qualify for a rebate of surtax.

Clause 75, read with the Third Schedule, seeks to increase the basic import duties on certain items. The changes are:—

(*i*) the duty on certain paints, colours and painters' materials is proposed to be raised by 15% *ad valorem;*

(*ii*) the duty on essential oils, certain varieties of perfumery and paper is proposed to be raised by 25% *ad valorem*;

(*iii*) the basic customs duty on raw cotton is proposed to be raised from 26 Paise per kilogram to 50 Paise per kilogram;

(*iv*) the duty on art silk yarn and thread is proposed to be raised by about 20% *ad valorem;*

(*v*) the duty on steel tinplates is proposed to be raised by about 18% *ad valorem;*

(*vi*) the duty on stainless steel plates and sheets is proposed to be raised by 70% *ad valorem;* and

(*vii*) the duty on sodium hydrosulphite is proposed to be raised by 60% *ad valorem.*

Clause 76 seeks to continue up to the 31st day of March, 1966 the existing surcharge on customs duties.

Clause 77—

Sub-clauses (*1*) to (5) seek to provide for levy of regulatory duty of customs up to the 15th day of May, 1966 on a flexible basis within the specified ceiling rates, for regulating or bringing greater economy in imports.

Sub-clause (*6*) seeks to continue up to the passing of this Act the regulatory duties of customs levied under the Finance Act, 1964 read with notifications issued under that Act and the Customs Act, 1962.

Clause 78 seeks to maintain for another year the *status quo* in regard to commitments under the General Agreement on Tariffs and Trade.

Clause 79—

Sub-clause (*a*) seeks to substitute an *ad valorem* rate for the existing specific rates of duty on cigarettes;

Sub-clause (*b*) seeks to raise the rate of duty on steel ingots;

Sub-clause (*c*) seeks to raise the rates of duty on copper and copper alloys and their manufactures;

Sub-clause (*d*) seeks to raise the rates of duty on certain Iron or Steel products and also to modify the existing tariff classification.

Sub-clause (*e*) seeks to revise the tariff classification of certain manufactures of aluminium; and

Sub-clause (*f*) seeks to raise the rate of duty on tin plate and tinned sheets.

Clause 80 seeks to continue up to the 31st day of March, 1966 the existing special duties of excise.

Clause 81—

Sub-clauses (*1*) to (5) seek to provide for levy of regulatory duty of excise up to the 15th day of May, 1966 on a flexible basis within the specified ceiling rates, for regulating or bringing greater economy in consumption.

Sub-clause (*6*) seeks to continue up to the passing of this Act the regulatory duties of excise levied under the Finance Act, 1964 read with any exemption notification.

Clause 82 like section 63 of the Finance Act, 1964 provides that salt shall be duty free for another year.

Clause 83 seeks to substitute *ad valorem* rate for the existing specific rates of duty on cigarettes in the Additional Duties of Excise (Goods of Special Importance) Act, 1957.

FINANCIAL MEMORANDUM

INCOME-TAX AND OTHER DIRECT TAXES

Some of the provisions contained in the Finance Bill, 1965 will result in an increase in the work load on the Income-tax Department. Instances of these provisions are the levy of the additional wealth-tax on immovable property in certain areas, introduction of a scheme of voluntary disclosures, grant of tax credit certificates for certain purposes and generally an increase in the number of assessees expected during the financial year 1965-66 due to various measures adopted in this behalf.

The aforesaid measures will necessitate the employment of an additional number of officers and other staff. The expenditure on this account together with the incidental expenses on administration is estimated at about Rs. 16·50 lakhs as indicated herein below:—

	Number	Annual emolumentr	Cost
			Rs.
I. *Officers* :			
Commissioners of Income-tax	3	3×Rs. 22,800	68,400
Assistant Commissioners	10	10×Rs. 14,400	1,44,000
Income-tax Officers (Class I)	28	28×Rs. 6,000	1,68,000
II. *Staff* :			
Inspectors	21	21×Rs. 3,060	64,260
Supervisors	17	17×Rs. 5,040	85,680
Headclerks	45	45×Rs. 3,060	1,37,300
Stenographers	13	13×Rs. 2,964	38,532
Upper Division Clerks	178	178×Rs. 2,964	5,27,592
Steno-typists	28	28×Rs. 2,364	66,192
Lower Division Clerks	96	96×Rs. 2,124	2,03,904
III. *Incidental expenses* :			
Incidental expenses including Class IV staff			1,50,000
TOTAL			16,53,860
		or say Rs.	16,50,000

Clause 53, which amends among others, sections 214, 243 and 244 provides for the increase of interest from four per cent. to six per cent. The exact amount of interest payable by the Central Government as a result of this amendment cannot be foreseen at the present.

MEMORANDUM REGARDING DELEGATED LEGISLATION

New section 280ZE proposed to be inserted by clause 62 empowers the Central Government to frame one or more schemes to be called tax credit certificate scheme or schemes in relation to tax credit certificates to be granted under Chapter XXIIB. The various matters which among others may be provided for in any such scheme have been specified in clauses (*a*) to (*i*) of sub-section (2) of that section. Such matters, *inter alia,* relate to the form and manner in which, and the authority to which, applications for such certificates may be made, the authority by which such certificates may be granted, the determination of the rights and obligations of persons to whom such certificates have been granted, etc.

Clause *2* (5) (*d*), proposed new sections 33A, 80A and 80C empower the Board to make rules in relation to the matters specified therein.

The aforesaid matters are matters of procedure and administrative detail. It is hardly practicable for these matters of detail or procedure to be provided in the Bill itself. The delegation of legislative power is thus of a normal character.

S. L. SHAKDHER,
Secretary.

Printed by the General Manager, Government of India Press, Minto Road, New Delhi, 1965 and published by the Manager of publication, Delhi—LS I—813 G of I Ex—5-3-65—380.